Austria	Sch. 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din.0 650	Israel	NS 3 50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1600	S. Arabia	Rls 6 00
Canada	C$1 00	Japan	Y600	Singapore	S$ 4 10
Cyprus	C£0.75	Jordan	Fils.500	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils.500	Sri Lanka	Rup 30
Egypt	E£1 50	Lebanon	£L 50 00	Sweden	SKr 8 00
Finland	Fmk 7.00	Luxembourg	LFr.45	Switzerland	SFr 2 20
France	FFr 6 50	Malaysia	Rm 4 25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 0 800
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E	Dh 6 50
India	Rup 15	Norway	NKr 7 00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,149 — Monday February 2 1987 — D 8523 B

Cory Aquino takes the people's test, Page 18

World news — Business summary

Tamils say police shot 200 civilians

Tamil spokesmen in Batticalda, capital of Sri Lanka's Eastern Province, claim that 200 civilians, mostly Tamils, were killed in a four-day operation by a special police commando task force.

Sri Lanka's Government says the charge is a "wild allegation" and that only four civilians died in fighting which left 40 terrorists and 13 policemen dead. Page 3

Reagan aide resigns

President Reagan's chief political adviser, Mr Mitchell Daniels, 37, has resigned to join a research institute. Mr Daniels has called for White House chief of staff Mr Donald Regan to step down over the Iran arms scandal.

Israeli-Soviet talks

Israel's Foreign Ministry said it held talks last month with Soviet officials in Washington which dealt with the relaxation of exit restrictions on Soviet Jews and on possible Soviet participation in a Middle East peace conference.

Radioactive milk ban

The West German Government is likely to stop the planned export to Third World customers of 3,000 tonnes of milk powder contaminated by radioactivity during the Chernobyl nuclear reactor disaster. Page 2

Karachi rioters shot

Karachi police fired at more than 1,000 demonstrators throwing bombs at a police station, killing at least two people and wounding 50, bringing to eight the death toll in four days of rioting.

Genoa paralysed

The port of Genoa was paralysed as dock workers staged wildcat strikes following last week's accord between the port authority and national trade union leaders over manning levels. Page 4

Kabul explosion

A car bomb exploded outside the Indian embassy in Kabul, capital of Afghanistan, killing four people, including two children, Kabul radio said.

Greek earthquake

An earthquake measuring 5.1 on the Richter scale hit the southern Ilia area of the Greek Peloponnese islands but caused neither casualties nor damage.

W. Berlin raid

West Berlin police raided a political meeting in a city bar and arrested 48 people for allegedly breaking an Allied military law banning the propagation of the aims of the Nazi party. The 48 were later released.

Fishing zone imposed

UK defence officials reported no incidents in the South Atlantic following the imposition of a 150-mile fish conservation zone around the Falkland Islands.

Israeli bus bombed

At least nine people were injured when a bomb exploded aboard an inter-city bus near Hadera in northern Israel.

Hotel fire kills 17

Fire swept through a hotel in the south Taiwan city of Kaohsiung, killing 17 people and injuring 13.

Skier vanishes

Rescuers combed the Mont Blanc area for a 36-year-old Briton who went skiing alone in the Chamonix valley on Thursday but had not been seen since.

Bargain fare

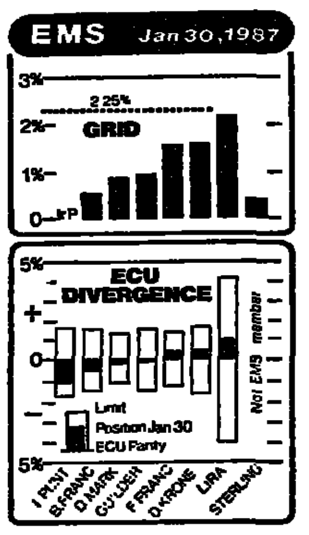
Dutch carrier Transavia Airlines has asked permission from the Civil Aviation Authority to introduce an economy return fare between Amsterdam and London of £116, which it says is £30 less than the cheapest current fare.

UK picks GEC for Indian project

GEC, UK engineering and electronics group, has been chosen to lead a consortium of British companies which hopes to build the second stage of the Rihand power station in northern India at a cost of around £300m ($454). Page 3

BANK OF ENGLAND appears to have been buying large amounts of gilt-edged stocks on the assumption that the UK Public Sector Borrowing Requirement will be substantially below the £7.1bn ($10.9bn) budgeted. Page 20

EUROPEAN Monetary System: A stronger dollar and a cut in the West German discount rate helped to underpin weaker members of the EMS last week. The Irish punt remained the weakest currency while the Belgian franc, traditionally one of the weakest members, showed useful gains. The Bundesbank had intervened on a small scale during the early part of the week to support the dollar, but the US unit's main impetus came from Friday's better than expected US trade figures.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Nikkei index fell 24.8 in Saturday's half-day session after seven days of advances. It closed at 20,023.55. Leading share prices, Page 35

UK GOVERNMENT bond turnover has almost trebled to about £1.6bn ($2.46bn) since Big Bang deregulation on October 27. Page 8

INDONESIA: Finance Minister Radius Prawiro said the Government would not reschedule its $30bn foreign debt but instead seek concessionary finance to lessen the country's debt burden. Page 4

MONTEDISON, Italian chemicals, energy and pharmaceuticals group, announced an 8.1 per cent increase in gross operating profits for 1986 to L1,600bn ($1.2bn). Page 23

FRENCH WINE: Britain has overtaken the US as the world's leading importer. About 45 per cent of wine bought in the UK comes from France, 30 per cent from West Germany, 15 per cent from Italy and 7 per cent from Spain.

NEW ZEALAND entrepreneur Ron Brierly has entered the battle for control of Resorts International, the $350m Atlantic City casino business. Page 23

TEXAS billionaire H. Ross Perot, founder of Electronic Data Systems, has joined Steve Jobs, founder and former chairman of Apple Computer, as an "investment partner" in Jobs' new venture, Next, developing high performance workstations for colleges. Page 23

BANCO de Vizcaya, Spain's fifth largest commercial bank, is paying a sharply higher dividend on net profits that increased by 37.5 per cent last year to Pta 18.1bn ($142m). Page 23

Kidnappings leave West Beirut haunted by fear and gloom

BY NORA BOUSTANY IN BEIRUT

A BRITISH woman friend, no longer confident that she can reason her way out of any hair-raising situation in West Beirut with its wholesale kidnappings and a maddening collapse of all sense of order, summed up the atmosphere in the Lebanese capital with: "Thinking has been suspended."

Strong reports that the special envoy of the Archbishop of Canterbury, Mr Terry Waite, is being detained by the captors of kidnap victims he was tirelessly trying to free capped 10 days of a darkening mood. Nine foreign nationals, including a French journalist, a Saudi diplomat, two West Germans, three Americans and an Indian, have been kidnapped at gunpoint since Mr Waite arrived in Beirut to resume his humanitarian mission.

The attempted kidnapping of a Swiss relief worker delivering supplies to the Shia southern suburbs last week sent shudders down the spine of a handful of plucky Western women, who believed they were immune to such attacks in a predominantly Moslem society.

"I find it very hard to believe they would kidnap women. But for the first time, there is that nagging doubt in the back of my mind, and I know the fear that drove my male friends out long ago," a British female journalist conceded. "A lurking gunman guarding a street corner petrifies me now while I accepted it as part of the scenery only one month ago," she said.

Grey, hazy weather, the lingering stench of uncollected garbage and marauding gunmen whose affiliation or motives are no longer easy to discern contribute to a feeling of uneasiness in the streets. Power cuts, a feeling that West Beirut is on the edge of yet more apocalyptic security blow-ups have pinned people in their homes as they ponder whether to dig in and survive yet another crisis or abandon a city that once lured them and captivated them.

"I don't want to look over my shoulder every second of my life," complained one woman. "Even the Lebanese are nervous. They are not as much support these days as they used to be. They are just as nervous about the bad things happening all around them," she said.

Even International Red Cross workers, who became the only foreigners to be sighted at West Beirut's few restaurants and night spots, now stay home and foreign females are keeping their movements to a minimum.

"My frontline argument has always been that I am a woman," said Marylin Raschka, an American linguistics professor at the American university of Beirut, who may now have to leave in view of President Ronald Reagan's ban on US passport holders to travel to Lebanon and an order to all Americans to leave within 30 days or face prosecution.

The multiple abduction of four university professors on January 24, prompted the US Administration, as the British Government had done before, to order out all US expatriates. Yet another clandestine group, Islamic Jihad for the Liberation of Palestine, announced its birth last week and claimed responsibility for the on-campus kidnappings, which have triggered daily demonstrations by students protesting the injustice done to their teachers and the suspension of their courses.

As an indication of the worsening situation, Lebanon's flagcarrier, Middle East Airlines, suspended flights to and from Beirut yesterday after insurance companies lifted their cover for passengers and crew following Christian militia threats to shell Beirut International Airport.

MEA chairman Selim Salam pointed out yesterday that the airport was not officially closed but that his airline was "sad to announce that its flights would be temporarily suspended because insurance companies had suspended policies covering passengers and crew." The decision followed reports that the Lebanese forces, the Christian militia, would shell Beirut International Airport if the opening of a new airport north of Beirut was not authorised. Moslem leaders are opposed to such a development on the grounds that it would be a partitionist move.

Christians unable to use Beirut's only airport, located in the Moslem sector, have been forced to travel by sea to Cyprus to make other connections.

The fate of Mr Waite remained unknown despite Druze chieftain Walid Jumblat's disclosure that he had offered himself as a hostage in return for Mr Waite's freedom. He said he had told an unnamed political party asked to help in the search for Mr Waite to take him instead if Mr Waite was indeed a hostage.

In London, a Church of England spokeswoman said Mr Waite had left a letter before he flew to Lebanon saying that no ransom should be paid and no lives risked to rescue him if he was kidnapped.

The future of missing foreign professors also appeared just as bleak yesterday after Israel had rejected their captors' demand for 400 guerrillas to be released from Israeli jails. Israel Defence Minister Yitshak Rabin said it was "inconceivable... (that we would) arrest, put on trial and imprison thousands of guerrillas to serve as an international bank reserve that one draws on (to free) hostages."

The group calling itself Islamic Jihad for the Liberation of Palestine said on Saturday it would kill the four university lecturers if 400 prisoners were not freed from Israeli jails within a week. "We will execute them and throw their corpses on the garbage cans of Cyprus," it said.

Another statement delivered to an international newsagency suggested that, if 400 prisoners, whose nationality was not specified, were flown to Damascus on a Red Cross aircraft, the four hostages would be freed.

Talks on Waite's safety, Page 2

Baker and Pöhl agree that $ has reached 'a reasonable level'

BY LIONEL BARBER IN WASHINGTON

AFTER MONTHS of open public disagreement over economic policies and the value of the dollar Mr James Baker, the US Treasury Secretary, and Mr Karl Otto Pöhl, President of the West German Bundesbank, yesterday appeared to try and put their differences behind them. They attempted to calm foreign currency markets by suggesting that the present values of the dollar and D-Mark were "in line with economic fundamentals" in their two countries.

Mr Baker steered clear of making any comment which could be interpreted as backing a further decline in the dollar against the D-Mark and the yen. "The dollar has come down to a reasonable and orderly level" he said, denying that he and other members of his team at the US Treasury and been talking down the dollar in recent weeks.

The US Treasury Secretary added that the Reagan Administration was very pleased with West Germany's decision to cut the discount rate. "This was something we were anxious about," he said.

In the three months up to last month's West German federal elections Mr Baker and other senior US officials repeatedly pressured Bonn to stimulate its economy through a discount rate cut. But Bonn refused to yield, thereby increasing friction between the two allies and trading partners.

Mr Pöhl – who accused the US of "playing with fire" during last month's precipitous slump in the value of the dollar against the yen and D-Mark – was noticeably conciliatory towards the US yesterday during the same interview on ABC television.

He said that the 50 per cent devaluation of the dollar against the D-Mark since March 1985 had been a "necessary correction". He added that West Germany was aiming for lower interest rates, and cited the recent ½ per cent cut in the discount rate to 3 per cent as a sign of Bonn's willingness to meet American concern about slow growth in the world economy.

The dollar has declined by 7.4 per cent against the D-Mark and about 4.4 per cent against the yen this year, partly prompted by leaks from Reagan Administration officials that they were not concerned about dollar devaluation.

The leaks were largely influenced by political motives, notably concern about the record US trade deficit, which reached almost $170bn in 1986, fuelling protectionist pressures.

Last week, however, the Commerce Department reported a substantial improvement in the December 1986 trade figures, which amounted to a $10.7bn deficit. This suggested that the dollar devaluation appears to be at last improving America's terms of trade, although one month's figures are by no means conclusive.

Mr Malcolm Baldrige, Commerce Secretary, predicted this weekend that the US trade deficit would drop by $30bn–$40bn in 1987, and that the weakened dollar would make US exports grow substantially.

Yesterday neither Mr Pöhl nor Mr Baker referred to the possibility of a Group of Five meeting to discuss last month's wild currency gyrations. The Group of Five members are the US, West Germany, France, Britain and Japan and their meetings can have enormous impact on financial markets.

Mr Baker warned that the US could not cure its trade deficit through the value of the dollar alone. He said that the Reagan Administration intended to submit a competitiveness package (code for a trade bill) to Congress within the next two weeks.

Separately, Mr Baker described as "pure baloney" reports that he and other cabinet members had threatened to resign if Mr Donald Regan, White House Chief of Staff, did not go.

John Wyles in Davos, Switzerland, writes: Senior public officials from industrialised countries, including the US and Japan, share the view that a meeting of the Group of Five finance ministers is unlikely until they are able to agree on concrete measures to stabilise the dollar.

The officials held 10 hours of talks in Davos yesterday with their counterparts from 10 developing nations and six international organisations.

The participants, brought together by the World Economic Forum, an annual meeting of public leaders and top businessmen, were generally gloomy about the currency outlook. Many have been influenced by a forecast given here by Prof Lester Thurow of Mit, that the US trade deficit would not be eliminated until the dollar had fallen to Y100 and DM 1.1.

Genscher urges West to accept Soviet initiatives

BY JOHN WYLES IN DAVOS

MR Hans-Dietrich Genscher, the West German Foreign Minister, yesterday boldly called on the Western alliance to believe in the changes taking place in Soviet domestic and foreign policies and to negotiate a new set of economic and arms control agreements.

"Our motto must be 'let us take Gorbachev seriously, let us take Gorbachev at his word,'" declared Mr Genscher in a major speech reflecting a new authority drawn from his Free Democratic Party's success in the recent West German elections. In the process, he went much further than any Western leader has done in responding to developments in Soviet policy.

He was strongly sceptical of suggestions that Mr Gorbachev was seeking a breathing space in Moscow's relations with the West to allow time for domestic regeneration before resuming the "old expansionism."

The Soviet leader's initiative "could not be brushed off as propaganda," he said. "If today there is a chance of reaching a turning point in East-West relations after 40 years of confrontation, it would be a mistake of historic proportions for the West to let the chance slip," Mr Genscher told the World Economic Forum, an annual meeting of top politicians and businessmen, in Davos, Switzerland.

Against the background of President Ronald Reagan's political setbacks over arms to Iran and the apparent conviction that a positive Western response could help Mr Gorbachev overcome domestic opposition to his reforms, Mr Genscher seemed to be presenting himself as the West's potential interlocutor with Moscow.

Asserting that the Soviet leader's new domestic and foreign policies were "in the interests of the West," Mr Genscher claimed that Mr Gorbachev had clearly broken with the expansionist policies of the Brezhnev era.

Mr Genscher, repeatedly stressing the new opportunities for East-West relations which are now appearing, emphasised that West Germany was not recasting its foreign policy, which would continue to be based on membership of Nato, the EEC and close Franco-German co-operation.

Peter Bruce in Bonn adds: Mr Genscher's speech can be seen as a blunt challenge to Chancellor Helmut Kohl to take sides on foreign policy as he begins to put together a new coalition Government for his second term in office.

The veteran Foreign Minister is certain to keep his post. His remarks about the Gorbachev administration are probably his most clear statement on policy towards the Soviet Union and are bound to upset conservatives in Mr Kohl's party and, probably, in Washington.

BBC raid by police sparks criticism

By Raymond Snoddy in London

THE BBC is to take legal advice about the police raid on its Glasgow headquarters, in which officers seized all material relating to the Zircon spy satellite and other programmes in the controversial television series Secret Society.

Special Branch officers from the Metropolitan and Strathclyde forces took away nearly 30 boxes and cartons of videotapes, out-takes, computer discs and notes from the studios where the series was produced.

The raid, which lasted 30 hours, is believed to be unprecedented in the history of British broadcasting. The search drew strong criticism from the opposition Labour and Alliance leaders, who will press today for a statement from the Government in the House of Commons.

Police took material relating to all six programmes in the series, not just the Zircon transmission, which had been banned by Mr Alasdair Milne, who was forced last week to resign as BBC director general. Mr Milne had cleared the other five programmes.

The police resumed their search at 3am yesterday after obtaining a third warrant. The first was overturned by a judge and the second was invalid.

Staff such as film editors and librarians were summoned in the Search for a new director general, Page 5

Continued on Page 20

Paris unable to meet investor demand for shares in Paribas

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government announced last night that it would be unable to meet individual investor demand for Paribas shares because of the unexpected success of the privatisation issue.

Mr Edouard Balladur, the Minister of Finance, appeared on French television to announce that 3m Frenchmen had applied for shares in the formerly secretive investment bank. Before nationalisation in 1982 it had a total of 150,000 shareholders.

However, Mr Balladur announced that the Government would have to scale back allocations to individual investors for whom preferential treatment had been accorded. They will now receive allocations proportional to the overall demand.

The Government is also scaling down its offer of one free share for every 10 shares held for a minimum of 18 months. Small investors will only receive a fraction of the share depending on the allocation.

The Government made available 14.7m shares at FFr 405 each to French investors. This represented 32 per cent of Paribas capital. One reason for the success of the issue was the expectation of a sizeable profit with the shares being quoted in the grey market last week at between FFr 470 and FFr 500.

In addition to cutting back on allocations to French investors, the Government will reduce by 10 per cent the 6.3m shares offered abroad – equivalent to 13.5 per cent of the group's capital.

The success of the issue provides an important boost for the Government's privatisation programme which began last year with Saint Gobain, the glass and pipes group. The Saint Gobain issue, the first in the programme, was 14 times oversubscribed with the Government having to use to the full the clawback on shares sold abroad.

Apart from the shares put on public offer in France the Government reserved 18.2 per cent of the capital for 17 major institutional shareholders paying a 2.5 per cent premium to give the group a stable shareholding base. Among the main shareholders are the oil group CFP-Total and three insurance companies. Four foreign groups hold 2.6 per cent of this block.

A further 7.5 per cent of the capital was reserved for employees at a discount of between 5 per cent and 20 per cent. The Government had also been planning to hold 4 per cent of the capital in reserve to meet the issue of free shares.

The non-voting certificates of investment, which account for 25 per cent of Paribas' capital, can be exchanged with no extra payment.

Power politics of Japanese privatisation, Page 4

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Patrick Buchanan, Ronald Reagan's communications director, talks to Lionel Barber, Page 10

Sale price for French TV channel due soon

BY PAUL BETTS IN PARIS

THE FRENCH Government is expected to announce in a few days the price of TF-1, the country's oldest and largest state television channel which is to be privatised. It is expected to fetch FFr 4bn-FFr 4.5bn (£430m-£484m), although the opposition Socialist party claimed at the weekend that it was worth about FFr 10bn.

The sale is the centrepiece of the Government's ambitious changes in television broadcasting. Later this month franchises will be awarded to operate France's two other private commercial stations, the Fifth Channel or "La Cinq" and the Sixth Channel or TV6, the French music chain.

The Socialists are already accusing the Government of selling the state network at a discount and have threatened to renationalise it when returned to power. The network has about 40 per cent of the national audience.

The main candidates to take over TF-1 are a recently formed association between Hachette, the country's leading publishing group, and Havas, the state advertising and media group, also to be privatised this year.

Mr Pierre Dauzier, the Havas chairman, confirmed yesterday in a newspaper interview that he had reached an agreement whereby Hachette would acquire 25 per cent of TF-1 and Havas 15 per cent to form the core shareholders and operators of the channel.

Mr Robert Hersant, the right-wing Press baron and publisher of Le Figaro newspaper, has also emerged as the main candidate to take over the Fifth Channel in association with Mr Silvio Berlusconi, the Italian television entrepreneur, and Mr Jerome Seydoux, chairman of the Chargeurs transport and communications group. Mr Berlusconi and Mr Seydoux presently operate the channel but are threatened with the loss of their franchise and have been negotiating with Mr Hersant.

Although the Council of State, one of France's leading judicial bodies, yesterday overruled the Government's earlier decrees cancelling the franchises for the Fifth Channel and TV6 granted by the Socialists, it left the way open for the Government to table new decrees to enable the franchises to be allocated to new operators.

With strong contenders emerging for both TF-1 and the Fifth Channel, the bidding for TV6 appears to be the most open of the three. The channel is operated by the Gaumont film production group in association with a private radio station and two advertising groups. This consortium is keen to maintain its franchise but will have to fend off rival bids from groups including the Generale des Eaux and Lyonnaise des Eaux water utilities, the Compagnie Luxembourgeoise de Telediffusion which has been showing a growing interest in TV6, the UGC film distribution group and several record companies.

Irish ships halted as disputes escalate

By Hugh Carnegy in Dublin

ALL FREIGHT and passenger services from the Republic of Ireland on the state-owned B&I shipping line were at a standstill last night following the escalation of labour disputes that have plagued the loss-making company for months.

Ships' officers extended their strike from the passenger service to the freight service yesterday when talks broke down in a dispute over manning levels and scheduling.

The freight service was already down to half capacity because of another unresolved dispute with craftsmen.

Yesterday, only a freight service from Larne, in Northern Ireland, to Great Britain was still operating.

Apart from the immediate disputes, B&I is struggling to get agreement with its unions on a survival plan involving nearly 400 redundancies.

In the present dispute, costing the company more than £500,000 ($765,000) a week, 1,000 of the 1,400 workforce have been laid off.

Soviet economist stresses reforms will take time to pay off

BY PATRICK COCKBURN IN MOSCOW

THE PRINCIPAL economic reforms being introduced in the Soviet Union will only begin to boost output at the end of the decade, according to Dr Leonid Abalkin, head of the Institute of Economics in Moscow and one of the country's most influential advocates of economic change.

He expects two changes being introduced this year to have an almost immediate impact, however. These are the new laws on individual labour, allowing citizens from May 1 to work part or full time on their own account, and another law, to be ready in six months time, enabling individuals to unite to set up co-operatives to provide services or for small-scale manufacture.

In an interview Dr Abalkin said that the transfer of Soviet enterprises to full cost accounting with a measure of control over their prices will only be completed in 1990. The first stage of this fundamental change in the way industry is organised started at the beginning of this year with seven ministries and 36 enterprises shifting to financial autonomy.

Studies show that some 2.5m people are likely to offer individual services full time, according to an article in Sovietskaya Kultura. Another 18m-19m people out of a total labour forces of 129m are estimated to have second jobs at present, and a poll by the Institute of Socialogical Research showed that 27 per cent of people wanted to earn extra money by additional labour.

Dr Abalkin says that he sticks by his forecast last year that the introduction of co-operatives — individuals coming together to perform services or establish workshops — will provide an immediate boost to the economy and could contribute 10-12 per cent of the national income in 10 years.

The main thrust of economic change, however, is shifting existing industry and agriculture to self-financing, whereby the main economic decisions on an enterprise will be decided by its management, not by planners in Moscow. Pay will be linked to profitability and productivity.

The prices of key items such as oil, gas, coal and cement, as well as basic foodstuffs, will be decided centrally by the Government. The prices of other goods will be more flexible, subject to contract negotiations between buyer and seller with an upper limit imposed by the state.

Economic restructuring had very little to do with the good figures for growth last year, says Dr Abalkin. The 4.1 per cent increase in national income and 4.9 per cent jump in industrial production he attributes to better administration and tighter discipline among management and workers.

● The Communist party daily newspaper, Pravda, yesterday strongly attacked middle-ranking members of the party whom it accused of being secretly opposed to reform. "Some leaders are only imitating reconstruction, and they are living by the old, worthless methods and canons," Pravda said

Jobs to go in Swedish steel industry

By Sara Webb in Stockholm

THE SWEDISH commercial steel industry is threatening to cut jobs and close mines in order to cope with overcapacity and falling prices in the market.

SSAB the Swedish state-controlled commercial steel group, is planning to cut its loss-making areas and concentrate on steel sheet production and on its home market in future.

The plans are in response to increased competition from many of the developing countries and to measures in the EEC to adapt production levels.

SSAB's board is proposing to close two iron ore mines at Graengesberg and Dannemora, its electric arc furnace and the Morgan works (which produce wire rods and reinforcing bars) at Domnarvet, its light section Mill in Lulea, and its hot strip mill in Surahammar.

It proposes cutting 2,200 jobs, or 15 per cent of its total workforce of 15,000 over the next couple of years. The proposals will now go before the unions and a final decision will be taken next month.

The restructuring plan comes at a time when group says it cannot live up to previous profits forecasts presented by the last board as late as December.

Profits after financial items were then expected to reach SKr 350m-400m ($54m-$62.5m) for 1986.

The new board, which was brought in last November with a change in the group's ownership structure, now says that profits for 1986 will only reach SKr 275m because of overcapacity, falling steel prices and the falling dollar.

Mr Bjoern Wahlstroem, the new chairman, warned that if the closures and job cuts did not take place, SSAB would only break even in 1987 and would face losses of SKr 200m in 1988.

As a result, the board has decided to cut the unprofitable areas of business. The two iron ore mines which supply SSAB with more than two thirds of its ore, made a loss of about SKr 80m last year.

LKAB, the state-controlled iron-ore group of which Mr Wahlstroem was formerly chairman, stands to gain by this decision, and will probably now become the sole supplier. The steel profiles works at Lulea made a loss of about SKr 100m.

The board now proposes investing over SKr 1bn in SSAB's core business of strip mill products and hopes that the restructuring will make SSAB a stronger candidate for a stock market launch in the future.

Portuguese telecoms group has UK link

BY DIANA SMITH IN LISBON

CENTREL, the Portuguese telecommunications group that has signed an agreement with Siemens to share local manufacture of equipment for Portugal's new digital switching system, is launching itself internationally with the help of British consultants and its UK outlet, Centrel Telecom.

After massive investment in the past two years in research and development of telecommunciations equipment and software, the group is seeking a greater share of major international telecommunications contracts.

Centrel first attracted attention in 1980 when its founders, three young engineers previously employed by Standard Electrica, the Portuguese subsidiary of ITT bought the local installations of Plessey for £1 ($1.53), the price charged by the disgruntled British corporation when it failed to coax successive Portuguese governments to make firm telecommunications investment plans and decided to pull out of the country.

Centrel also took on Plessey's £200,000 ($306,00) debt and its 2,500 employees – a heritage that proved costly to Centrel as it sought to develop new products.

Centrel's shareholders have now doubled the capital of the group to Es 1.6bn ($11.5m) in preparation for new marketing efforts by an expanded Central Telecom based in Hastings, England, which already markets products such as cable pressurising, calibrating and railway switching equipment and has large contracts with British Telecom and British Cable and Wireless and will in future market new products developed in Portugal.

Of Centrel's 1986 turnover of £70m, 30 per cent went to exports including tropical countries still using old-style Centrel heavy-duty bakelite telephones. Meanwhile Centrel's two-year-old research and development company, EID, has developed field and vehicle radios for the Portuguese armed forces and is now working on equipment for three frigates that Portugal's Nato partners are jointly financing and supplying.

In its drive to expand fast and keep abreast of electronics and telecommunications developments while nursing along hundreds of workers whose skills could not always match the times, Centrel has had severe financial struggles.

Western steel output 'will decline further'

BY PAUL BETTS IN PARIS

STEEL production in Western industrialised countries is expected to continue to decline this year but not by as much as last year, the Organisation for Economic Co-operation and Development (OECD) says in its latest outlook on the Western steel industry.

The OECD estimates the fall in Western steel production this year at about 1.5 per cent, compared with a decline of 6 per cent last year when OECD steel production totalled 365.61m tonnes. EEC steel production which fell by 7.3 per cent last year is expected to remain flat this year while US production is expected to fall by 2 per cent this year compared with 5 per cent last year.

The OECD estimates also show Japanese steel production declining by 4 per cent this year compared with 6.7 per cent last year; Australian and New Zealand output increasing by 2 per cent this year compared with a 1 per cent increase last year and Canadian output rising by 1.5 per cent this year after falling by 2.8 per cent last year.

After falling by 2 per cent last year, OECD steel consumption is expected to fall by about 1.5 per cent this year. The Paris-based organisation says most of the decline in OECD steel consumption this year will again occur largely in the US and Japan.

In the US, the expected decline is mainly the result of weaker demand from the car and construction industries, while in Japan demand continues to be affected by the weaker export outlook for several manufacturing industries and especially by the sharp fall in activity in the shipbuilding sector.

In the EEC, steel demand from the shipbuilding sector is also expected to fall significantly. However, this fall is expected to be offset by improved activity in most other steel-consuming sectors.

The report also notes that employment in the OECD steel industry has continued to decline. In the US, the decline last year was 15 per cent while several West European countries also experienced considerable declines in steel employment last year.

The OECD expects employment in the Western steel industry to continue to fall this year, especially in Japan.

The report says that crude steel capacity in the OECD continued to decline,

New Irish party keeps options open

By Hugh Carnegy in Dublin

THE LEADER of Ireland's Progressive Democrats party, which hopes to hold the balance of power after the February 17 election, said yesterday he would be reluctant to support a government led by Dr Garret FitzGerald, the outgoing Prime Minister, or Mr Charles Haughey, leader of Fianna Fail.

Mr Desmond O'Malley, who formed the Progressive Democrats just over a year ago after leaving Fianna Fail, was careful not to rule out co-operation with either. "I'm not planning a veto but I'm expressing the view that a new (Prime Minister) might be appropriate for the country's difficulties," he said at the launching of his party's manifesto.

He confessed his feelings against Dr FitzGerald, the leader of Fine Gael, were less strong than his objections to Mr Haughey, with whom he had a bitter long-running quarrel when still a front-bench member of Fianna Fail.

A coalition between Mr O'Malley and Dr Fitzgerald is widely regarded as the only possible outcome standing in the way of a Fianna Fail victory in the election, chiefly because of their similar cost-cutting, free-market approach to tackling the debt-burdened economy.

However, Mr O'Malley is clearly keen to keep all his options open and preserve the independence of his party.

The PD's, as they are known, are in confident mood with a steady 15 per cent opinion poll rating. They hope, under the proportional representation system, to win around 20 seats in the 166-seat Parliament.

The main planks of the manifesto are cuts in the Draconian tax regime, abolishing social insurance, health and youth levies on employees' earnings and reducing standard income tax to 25 per cent in five years to stimulate growth to tackle 19.3 per cent unemployment.

This would be paid for by big reductions in capital spending—some of it coming out of the budget of the Industrial Development Authority — a public pay freeze and privatisation of state assets such as forests and the Irish Life building society.

Yugoslavia urged to give priority to inflation fight

BY OUR PARIS STAFF

YUGOSLAVIA has been urged by the Organisation for Economic Co-operation and Development to give top priority to the fight against inflation.

In its annual report on the Yugoslav economy, the OECD notes that the annual rate of consumer price inflation rose to more than 90 per cent in the second half of last year. It also points out that Yugoslavia has not shared in the same disinflationary process in the 1980s as other OECD countries because of companies' lack of financial discipline of enterprises, low economic efficiency, insufficient monetary control over the growth of nominal income and demand, and the high degree of market segmentation and lack of competition.

Although Yugoslavia made economic progress in 1984, the OECD suggests that the subsequent decision to relax price controls and promote higher growth and living standards in 1985 and 1986 proved premature.

After several years of large current balance of payments deficits in convertible currencies, Yugoslavia managed to obtain a surplus of $800m in 1984. This enabled it to make some net repayment of external debt and ease its severe import restrictions.

However, the subsequent relaxation of economic policy was premature, according to the OECD, because it had not been preceded by sufficient progress in tackling inflationary pressures and other basic weaknesses of the economy. As a result, the current balance of payments surplus in convertible currencies fell sharply in 1985 to $400m and swung back into a small deficit of $200m in the first half of last year.

At the same time, inflationary pressures strengthened significantly, with the annual rate of consumer prices accelerating from 40.5 per cent in 1983 to 52.2 per cent in 1984, 73.5 per cent in 1985, and 92.9 per cent last November.

Poles condemn plan for nuclear waste store

By Christopher Bobinski in Warsaw

PROPOSALS for a nuclear waste store in Miedzyrzec, western Poland, have been condemned by local people.

Waste from the Zarnowiec nuclear power station, now under construction and expected to come on stream after 1992, would be stored in underground fortifications built by the Germans before the Second World War.

Protests against the plan were made at the weekend by delegates to a congress of the Polish Consumer Federation (FK). They are part of a wider protest movement among the town's 20,000 people which began in 1975. They argue that the site is damp and unsafe.

The congress also heard that the federation, the only movement of its kind in eastern Europe, is to become a member of the International Organisation of Consumer Unions, based in The Tague.

The FK, set up in 1981, has about 10,000 supporters and is planning to start an independent quality testing centre in Krakow.

Congress resolutions called for the ending of the market monopoly in Poland by allowing greater scope for private enterprise in production of goods and services.

Government plans to raise prices of basic foods were also criticised because a growing number of households estimated their situation was poor and without chance of improvement.

The FK hopes to organise an eastern European consumer movement congress towards the end of the year.

Oil price forecast to reach $60 a barrel

BY MAURICE SAMUELSON

OIL PRICES will rise steadily to reach $60 a barrel towards the end of the century but will not regain their 1985 level in real terms until 2005, says a report on Europe's energy outlook published today.*

DRI Europe, in its latest forecast of European energy trends to the year 2005, also assumes that the dollar will depreciate against most European currencies until the 1990s and that the oil prices expressed in European currency units (Ecus) will rise less than if expressed in dollars.

In the shorter term energy consumption should increase as a result of the recent fall in energy prices. Between 1986 and 1990, it expects Europe's total primary energy requirements to grow by 1.9 per cent a year for a 2.3 per cent annual growth in gross domestic product.

Oil demand in Europe should rise by 1.2 per cent a year until the early 1990s and then start declining. Its peak in 1991 is forecast to be 585m tonnes of oil equivalent (mtoe) against 545 mtoe in 1985. Although there will be a greater use of oil for electricity generation in Italy, the Netherlands and Denmark, this will not halt the overall phasing out of oil from the power sector.

In the industrial and domestic sectors, DRI Europe says lower oil prices will help boost consumption by some 8 per cent between 1985 and 1988, before consumption starts falling again. The biggest rise in oil use will be in the transport sector. Between 1985 and 1991, consumption in this sector should rise by around 13 per cent, or 30mtoe.

Gasoline consumption will remain static, but diesel oil, jet fuel and bunker fuel consumption should increase as a result of strong commercial activity.

Natural gas prices are expected to rise less rapidly than oily prices in order to guarantee gas competitiveness against coal and electricity. Electricity should keep its present 18 per cent of final energy requirements until the end of the 1980s but will gradually rise to 22 per cent by 2005.

Coal prices to industry this year should be 30 per cent lower than two years ago, and prices in the domestic market 20 per cent lower.

DRI Europe, Energy Outlook to 2005; DRI Europe, 30, Old Queen St, London, SW1; 13, rue de Quatre Septembre 75002 Paris.

Melilla unrest turns focus on Morocco

By David White in Madrid

UNREST CONTINUED yesterday in Spain's North African enclave of Melilla after violent clashes at the weekend which highlighted the Madrid Government's failure to placate the minority Moslem population.

The disturbances have raised concern about their possible impact in Morocco, which maintains a territorial claim over Melilla and its sister enclave of Ceuta.

Last year, the Spanish Government produced a carefully-laid plan for Melilla, aimed at reassuring local Moslems about their rights at the same time as removing the main sources of aggravation for the non-Moslem Spanish population.

This involved replacing its controversial chief representative with Mr Manuel Cespedes, a Melilla native and police officer who had been Prime Minister Felipe Gonzalez's chief bodyguard, and bringing the Moslem leader, Mr Aomar Mohamedi Dudu, to Madrid as a government adviser.

However, Mr Dudu soon resigned and returned to Melilla, provoking the anger of the Spanish authorities by describing Melilla as Moroccan and the Spanish inhabitants as foreigners.

Craxi for talks in London

BY ALAN FRIEDMAN IN MILAN

THE ITALIAN Prime Minister, Mr Bettino Craxi, will meet Mrs Margaret Thatcher, his UK counterpart, tommorow during a two-day visit to London. It will be their first such bilateral consultative talks for almost a year.

He is expected to address senior bankers, businessmen and economists on the Italian economy and its prospects. There has been a substantial rise in British investment in Italy since Mr Craxi took office three and a half years ago.

Co-operation between the two countries in the telecommunications sector is considered by the Italians to be a real possibility. Once IRI, the state holding group, and Fiat have completed the merger of their Italtel and Telettra telecommunications equipment subsidiaries, the Italians are likely to seek discussions with foreign companies in the sector on joint ventures.

Mr Craxi will be accompanied on his visit by Mr Giulio Andreotti, the Foreign Minister, Mr Giovanni Spadolini, the Defence Minister, Mr Clelio Darida, the Minister of State Holdings, and Mr Valerio Zanone, the Industry Minister.

Papandreou attacks unions

By Andriana Ierodiaconou in Athens

THE CHILLY relations between Greece's Socialist Government and the country's trade unions, have deteriorated further following a bitter attack by Mr Andreas Papandreou, the Prime Minister, on public sector workers who are striking for higher pay.

The unions want the Government to relax its austerity incomes policy which is part of a two-year economic stabilisation programme designed to reduce Greece's inflation and domestic and external deficits.

Mr Papandreou said at the weekend that he considered it unacceptable that "workers in private industry should have given the Government more grace than privileged workers in state corporations and banks."

He singled out workers in the Public Power Corporation, whose strike has caused electricity supply problems since December.

Hindawi released

Italy has provisionally released Awni Hindawi, the Jordanian cousin of Nezar and Ahmed Hindawi, convicted of guerrilla attacks in London and West Berlin, Reuter reports from Genoa. Judicial officials said Awni Hindawi, a 26-year-old political science student at Genoa University, had been released through lack of evidence, on condition that he remain at Sasselo, a small town not far from the city.

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Tim Dickson reports that near-farcical events in a small provincial council have put the centre-right coalition in jeopardy

Martens puts his faith in moderates as language dispute flares

AT A New Year reception for senior ministers and politicians King Baudouin got straight to the point. How, he asked, could Belgium set an example to the rest of Europe while remaining so disunited at home?

Only four weeks into the country's six-month presidency of the EEC—essentially an opportunity for the Government to influence, even direct, Community affairs—all the evidence suggests that the monarch's timely warning has been flatly ignored.

Belgium's long simmering language dispute — ostensibly centred on the figure of a self-important village mayor but actually rooted in far deeper cultural and historical differences between Flemish speaking Flanders to the north and Francophone Wallonia in the south—has once again become a national preoccupation. Persistent attempts to break the deadlock have so far failed to yield a solution and with signs that the conflict may be spreading, the centre-right coalition of Mr Wilfried Martens is once again in danger of falling apart.

A mood of uncertainty prevails in Brussels with few observers prepared to predict the next move. Few seriously believe that the issue will come to a head in the next few weeks but all are agreed that time and new options are rapidly running out.

If anyone can confound the pessimists, it is Mr Martens. A skilled negotiator and conciliator, he has emerged triumphant from many similar crises in the past

He now has some powerful additional motives for wishing to stay in office. The Government's tough economic measures are just starting to pay off in terms of lower inflation, improved cost competitiveness and a better balance of trade. And the EEC presidency, which runs to the end of June, offers the rare possibility for the leader of a small country like Belgium to play a prestigious role on the international stage.

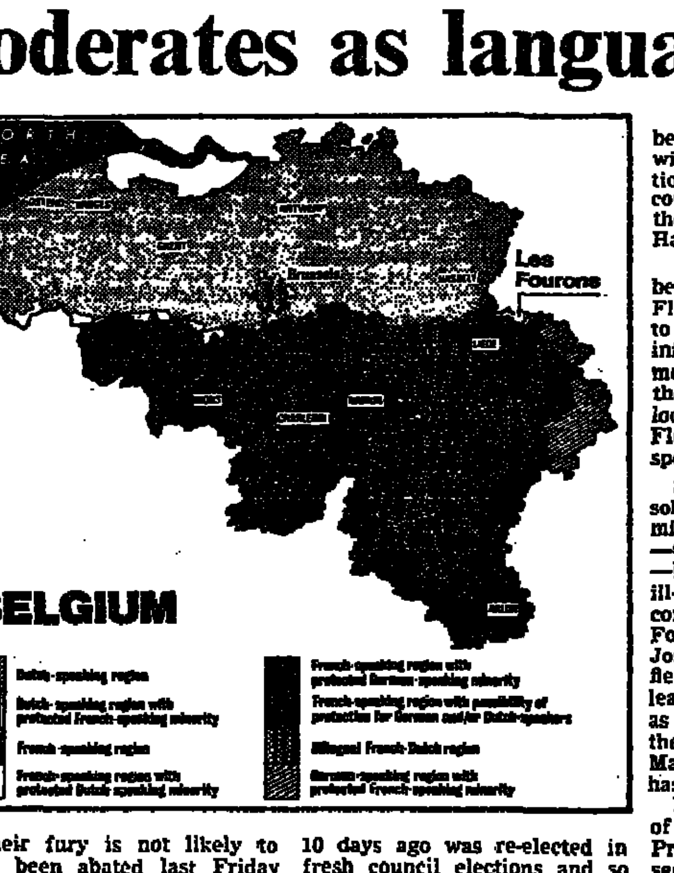
Few Belgians would bet large sums of money against Mr Martens surviving that long—but even some of his closest advisers admit that the odds do not look good.

The time bomb ticking away under the Government is, as before, Mr Jose Happart—the French-speaking ex-mayor of a small provincial council called Les Fourons who refuses on principle to speak the official Flemish language and as a consequence lost his job.

Mr Happart, a member of the Walloon Socialist party has since become a potent symbol for much broader economic and cultural tensions between Flanders and Wallonia—tensions which immediately opened up sharp differences between the Flemish- and French-speaking Christian Democrat parties in the coalition (the CVP and the PSC) when the quasi-judicial Council of State annulled his election late last September.

That decision essentially pitted those in Flanders who argue that the language laws should be upheld, and those in Wallonia who point out that Mr Happart is the democratically elected representative of the local people.

To an outsider at least some of the subsequent events have bordered on the farcical. Mr Happart has refused to fade away, getting himself appointed as First Alderman and thus de facto assuming the role of acting mayor in the absence of an official appointee. His behaviour has naturally infuriated the Flemish parties—notably Mr Martens' own CVP—who see a flagrant challenge to the constitution and (more fundamentally perhaps) a politically inspired ploy for greater regional autonomy.



Their fury is not likely to have been abated last Friday when Mr Happart—suspended from the post of First Alderman by the Provincial Governor 10 days ago was re-elected in fresh council elections and so (as local newspapers put it) started a new "turn of the carousel."

Besides loud political reverberations, the conflict has also with the annulment of the elections of four officials from councils close to the capital on the same grounds as Mr Happart.

New sensitivities have also been aroused by a proposed Flemish decree giving powers to the Flemish Government to influence mayoral appointments, thereby (according to the Walloons) undermining local democracy in those Flemish councils where French speakers are in a majority.

So far all efforts to find a solution have failed ignominiously. One Interior Minister —Charges Ferdinand Nothomb —lost his job last year after an ill-fated attempt to find a compromise mayor for Les Fourons. His successor, Mr Joseph Michel, has come in for fierce criticism for a widely leaked plan to keep Mr Happart as First Alderman but to erode the powers of that office. Mr Martens' own party, the CVP, has been particularly critical.

It is against this background of mounting bitterness that the Prime Minister is desperately seeking inspiration. Tough behind-the-scenes negotiations have continued in the last few days with a view to launching a new initiative—but no details physically moved closer to Brussels in the last few days have yet emerged.

Mr Martens — a committed Federalist—would clearly like the whole language and regional question—including the 1980 constitutional reforms which form the basis of the country's bilingual government reforms—aired in a special parliamentary forum. Whether this would satisfy quickly enough the regional aspirations of some of the protagonists is open to doubt. One problem is that boundary changes have to be agreed by a two-thirds majority in parliament—and by at least 50 per cent of all parties—clearly inconceivable at the moment.

The next deadline is probably just one month away—the date when the Limbourg governor must confirm or annul Mr Happart's election, thereby putting the ball back into the Government's court. Either way another crisis is likely.

Mr Martens' main hope may lie in his conviction that most of the Belgian people are as moderate as their King—and that the issue has been magnified out of all proportion by politicians and the country's highly partisan press.

Entebbe rescue hero appointed chief of Israeli forces

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S new top soldier, the Chief of Staff of the Israeli Defence Forces (IDF), is to be Maj Gen Dan Shomron, 49, the hero of the 1976 Entebbe rescue operation.

Maj Gen Shomron's appointment was announced at Sunday's Cabinet meeting. He takes up the post in April when the four-year term of the present Chief of Staff, Lt-Gen Moshe Levy, expires.

Although Maj Gen Shomron is highly regarded as a professional soldier, he has nevertheless faced considerable resistance from the upper ranks of the IDF's high command on his appointment to one of the most important positions in Israeli national life.

In an unusually strongly contested succession battle, Lt-Gen Levy had thrown his own not inconsiderable weight behind the candidacies of two other senior officers, Gen Amir Drori and Gen Ori Orr.

However, Lt-Gen Levy was up against Mr Yitzhak Rabin, Defence Minister, who personally favoured the outsider from the northern kibbutz – and that was apparently enough for the Cabinet.

The contest is not yet over. Appealing over the head of the Defence Minister, the outgoing Chief of Staff will this week take his case against his designated successor directly to Mr Yitzhak Shamir, the Prime Minister.

Lt-Gen Levy, wanted to stay on in his post for another year at least and he could win a brief postponement.

However, if, as expected, Maj Gen Shomron's appointment is finally ratified, considerable changes could be in store for Israel's armed forces – presently suffering from uncertain morale.

The Chief of Staff designate is on record as favouring quality against quantity when it comes to ground forces. He is expected to push for a smaller but more efficient and better-equipped army. The cost of keeping the 130,000-strong regular force in the field will not fall, but more manpower would be released for civilian life.

Equally significantly, Maj Gen Shomron is an unabashed opponent of the controversial Lavi fighter aircraft, the pride and joy of the country's defence industries but, according to its crities, a financial millstone which could sink the national budget.

Not for the first time in his army life, Maj Gen Shomron publicly supports purchasing a cheaper imported weapon over the more expensive, home-grown product. As a young paratroop commander, he argued in favour of buying the American M-16 automatic rifle rather than the Israeli Galil.

He was fortunate to be out of the country, on study leave in the US, when Israel invaded Lebanon in June 1982, and therefore escaped the opprobrium which attached itself to many of those associated with that highly controversial three-year war.

Maj Gen Shomron's outspoken views have not made him popular among his peers, and the way he was appointed over their heads will not have helped.

US refuses to renew NZ weapons agreement

By Dai Hayward in Wellington

THE US has refused to renew a memorandum of understanding with New Zealand which gave New Zealand the right to buy military equipment at a reduced price, because of New Zealand's nuclear ship ban.

The cancelling of the treaty means New Zealand will have to pay more for defence equipment and loses priority access to equipment which may be in short supply.

The action is retaliation for Wellington's ban on port visits by US nuclear-powered ships—a ban which has led to the breakup of the Anzus defence agreement between America, New Zealand and Australia.

Australian car sales plummet

By Chris Sherwell in Sydney

MOTOR VEHICLE sales in Australia plummeted in December to their lowest levels since 1968. According to figures published yesterday by the Australian bureau of statistics, seasonally adjusted sales of new motor cars, station wagons and other vehicles were down 29.1 per cent on December 1985.

Projections suggest that sales in the 1986-87 financial year ending in June will fall further than expected, dipping below the 500,000 mark and forcing the five domestic manufacturers into tough decisions on production.

Last month the Government told producers to make specific commitments to increase output of their low-volume models or cease production of them altogether.

South African MP recants

Mr Albert Nothnagel, a National Party MP, has recanted his criticism of Pretoria's refusal to negotiate with the ANC. Jim Jones reports from Johannesburg.

In a letter made public late Sunday by Mr F. W. De Klerk, the Transvaal National Party leader, Mr Nothnagel says that his aim had not been to undermine the party's leadership or resistance to the party. The letter was written only after discussions between Mr Nothnagel and senior cabinet ministers.

Zambia revalues

Zambia revalued the kwacha upwards today by 65 per cent following a decision last week to abandon an auction system that had been used to determine the currency's official parity, central bank officials said, Reuter reports from Lusaka. The Bank of Zambia was yesterday trading the kwacha at 9.045 to the dollar with commercial banks, up from the 14.92 rate struck at the last foreign exchange auction on January 24.

Kidnappers warn Washington against attack

BY OUR MIDDLE EAST STAFF

ISLAMIC JIHAD, the extremist Shi'a group holding five Western hostages, yesterday threatened to kill them if the US intervened forcibly in Lebanon or elsewhere in the Middle East.

Its statement was issued as Syria's state-controlled media reported US plans to mount a strike against targets in Lebanon and warned Washington against "playing with fire."

The two Americans held by the shadowy pro-Iranian Islamic Jihad are Mr Terry Anderson, former Associated Press bureau chief in Beirut, and Mr Thomas Sutherland, who was dean at the American University of Beirut.

It was their freedom which Mr Terry Waite, the Archbishop of Canterbury's envoy, was seeking before his disappearance a fortnight ago. In addition Islamic Jihad holds three French citizens.

The four hostages—three Americans and one Indian—held by "Islamic Jihad for the Liberation of Palestine" also face a death threat following Israel's categorical rejection of its ultimatum that 400 "terrorists" should be freed in exchange for the lecturers. The group is believed to be related to "Islamic Johad."

Yesterday in Damascus Mr Nabih Berri, the leader of the Lebanese mainstream Shia movement, Amal, and Mr Walid Jumblatt, the head of the mainly Druze Progressive Socialist Party, said in Damascus that they believed Mr Waite had been "arrested" but not kidnapped.

A consensus has hardened that the militants holding him are demanding the release of the 17 Shia bombers jailed in Kuwait since December 1983.

The Kuwaiti Government has shown no sign of giving way. Among the prisoners is a cousin of Mr Imad Mugniyah, a security boss of Hizbollah—the Party of God—the pro-Iranian group linked to Islamic Jihad. He is reported to be furious because Mr Waite came with no proposals about the freeing of the 17 Shias.

The Archbishop of Canterbury, the Most Rev Robert Runcie, has written to the powerful Iranian cleric Hojateslam Ali Akbar Hashemi Rafsanjani, who is Speaker of the Majlis (parliament) appealing for his help in finding the Anglican emissary.

The US State Department demanded the immediate release by Iran of Mr Gerald Seib, the Wall Street Journal correspondent detained in Tehran and charged with spying for Israel.

Nora Boustany reports on the proliferating Islamic revolutionary groups in Lebanon

Terror gangs known by name but little else

A FIVE INCH colourful map of Lebanon bursting with clenched fists and fervent faces with a portrait of the Iranian leader Ayatollah Khomeini in the centre, are now plastered all over most of the walls still standing in the streets of West Beirut.

In the seaside Spaghetti houses and coffee shops scarved women and bearded men seem much more at ease than other anxious customers now conscious of and uncomfortable with their western dress and manners.

Hizbollah supporters shouting slogans in West Beirut

The once westernised part of Moslem West Beirut seems swamped by the Shia population with their vaguely defined allegance to Iran and the Islamic revolution there.

It is difficult enough to disentangle intra-Lebanese conflicts. There are, after all, at least 16 officially recognised ethnic groups in the country. The Christian Moslem conflict remains far from being resolved.

These considerations, however, have been dwarfed by the rise to dominance in most of the Lebanese capital of the Shia population and the regional tug of war that the ties with Iran some of these groups have.

At the last but by no means definitive count there were at last nine shadowy underground group's known by name if little else.

The best known is the secretive Islamic Jihad. But there are also the Islamic Jihad for the Liberation of Palestine, the Organisation for Revolutionary Justice, the Organisation for the Oppressed on Earth, the Organisation of Revolutionary Moslem Cells, the Front of Solidarity with Arab Prisoners in Europe, the Organisation of Revolutionary Moslems, the Hizbollah and so on and so forth.

All these groups are now in the business of kidnapping westerners, and sending off videos and tape recordings as part of the nerve wracking bargaining process.

Executions and murder threats have driven most westerners out of West Beirut. The mushrooming of the groups and the number of kidnappings appears to have increased since the US appeared willing to deal with Iran over hostages, and may well have been given a further spur by the hesitation of the West German Government on how to deal with Mohammed Ali Hamadei, arrested on January 13 in Frankfurt and wanted in the US to face air piracy and murder charges.

The Shia fundamentalists groups closely allied to beholden to Iran out of religious connection as well as financial ties were probably the forerunners of the spate of kidnap gangs. They were bitterly opposed to all symbols of western influence, not least US financed academic institutions like the American University

However, Libyan, Syrian and Palestinian groups sometimes in conflict but at other time in complicity, have made more complex the rivalry for international attention and financial gain.

The Islamic Jihad Organisation for the Liberation of Palestine, a new group, which announced its formation recently with the abduction of four university professors, three Americans and an Indian, are threatening to execute them if the US takes military action.

Suspicions that the Syrians are just as involved as the Palestinians are also rife. The kidnappings of West Germans focused on the arrest of Mohammed Ali Hamadei. His brother Abdel Hadi Hamadei is a senior security official in the Shia extremist Hizbollah.

Last but certainly not least is the Mughniyah from the Baalbeck area in the Syrian controlled Bekaa Valley. This is controlled by Imad Mughniyah, who is thought responsible for the kidnapping of many westerners since 1985 and is said to be anxious to secure the release of 17 Shi'ite bombers held in Kuwait since 1983.

India, Pakistan may extend talks on border tensions

BY JOHN ELLIOTT IN NEW DELHI

DETAILED TALKS about how to pull back a total of 700,000 Indian and Pakistani troops from the borders of the two countries are to continue in New Delhi this morning for the third consecutive day.

It is possible that the talks may be further extended till tomorrow because of the complexities of trying to reach an agreement on troop movements which will not come unstuck during the next few weeks when India is to hold major manoeuvres on its side of the border and will be trying to cope with increasing Sikh violence in its border state of Punjab.

Delegations of senior diplomats and defence chiefs from the two countries produced detailed proposals for withdrawing from the border when they started their meetings on Saturday, a week after the most serious escalation of border tension for several years.

They adjourned for internal talks, games of tennis and a visit to the Taj Mahal at Agra outside Delhi on Sunday and yesterday resumed the talks.

Meanwhile there were reports yesterday of exchanges of small arms fire between troops of the two countries in the disputed territory of Kashmir to the north of Punjab, allegedly started by Pakistani troops encroaching on Indian territory, according to Indian sources.

Karachi police fire on mob

POLICE opened fire on demonstrators throwing bombs as rioting broke out again in Karachi yesterday, the fifth consecutive day of unrest, Our Foreign Staff reports.

At least two demonstrators were injured after the attack which police said was accompanied by tear gas in response to attacks by protestors armed with stones and home-made bombs in Karachi's Orangi Town suburb.

Witnesses added that at least 50 people were arrested for rioting on the fifth consecutive day of unrest in the city. Eight people have been killed in this the latest round of civil unrest in Pakistan's most populous city.

Charmed life of Indonesian motor industry comes to an end

BY JOHN MURRAY BROWN IN JAKARTA

IF THE Government in Jakarta had its way, visitors would find nothing for transport but pick-up trucks plus perhaps a few four-wheel drive vehicles, all of them made in Indonesia.

The Government dreamed up a plan in 1976 to have a home-grown motor industry by 1989, promoting commercial vehicles at the expense of the saloon car which it considered a Western luxury the country could ill afford.

With just two years to go, that target is some way down the road and the dream, despite large scale investment, has increasingly faded.

"The Government has mistaken this localisation policy with a more equal distribution of wealth," says Mr T. P. Rachmat, managing director of P. T. Astra, the country's leading producer who was chosen to spearhead the programme.

Backpedalling fast, the Government last week introduced minor reforms, raising hopes that a major overhaul may be in the offing. The changes will allow assemblers to use excess capacity to diversify product lines, without formal approval, and come at a time when the motor industry is deep in its worst recession for 10 years.

Nowhere has the dramatic downturn in earnings from oil, the main export, depressed consumer demand more than in the automotive sector. Last year's sales ended at just 140,000 units, half the industry's installed capacity, having peaked at 210,000 in 1981.

The 45 per cent Rupiah devaluation in September represented another blow for an industry still dependent on imports for over 50 per cent of component parts—not to mention the foreign debt commitments.

The continuing appreciation of the yen, with Japanese joint ventures accounting for 90 per cent of sales, has only made things worse.

In past years the Government has bumpstarted demand by lowering duties on component imports. However, the pressure on the balance of payments is such that a tariff increase seems more likely in a bid to raise revenues and stem the heavy outflow of foreign exchange involved in the purchase of components.

> 'Nowhere has the dramatic downturn in earnings from oil, the main export, depressed consumer demand more than in the automotive sector'

The picture has not always been so bleak. Indeed, behind a wall of tariffs and, more recently, an outright ban on complete vehicle imports, the car industry has enjoyed something of a charmed life since its inception in the mid 1960s as part of President Suharto's new order regime. In an economy dominated by the state, the car sector was an area of private business fiefdoms.

Many of the industry's problems can be traced back to the oil boom years when the Government dished out licences to Japanese and other assemblers, all in an effort to give consumers a wider choice. The result today is an industry choked with over capacity, with 21 plants producing 25 separate makes and 111 models.

"It's a process of natural selection," says Mr Suriajaya, the 64-year-old chairman of Astra Group, the company he founded, importing US Chevrolets, and which is now the country's second largest industrial conglomerate.

"Only those with an extensive after sales service network will maintain their market share," he says, predicting a spate of mergers.

Astra controls 45 per cent of the market, assembling Toyota, Daihatsu, Peugeot and Renault, in a 70,000 unit capacity plant, the largest in South East Asia.

With the makers of Suzuki and Mitsubishi, these three together account for 80 per cent of sales. The 17 other producers fight over a 20 per cent share, barely breaking even, let alone making a profit on investment.

For many Indonesians the debate must seem largely academic. Despite the impression of interminable traffic in Jakarta, car owners are still barely 1 per cent of Indonesia's 165m population.

At $24,000 the price of a saloon car is way beyond the means of the majority, while annual per capita incomes remains at $500.

Given this, it seems all the more surprising that no foreign ventures have yet closed or withdrawn. In large part sustained by their parent companies, all still view Indonesia as a potentially huge domestic market. As the road network continues to spread it is only a matter of time before that potential is tapped. Meanwhile, profit or no profit, the companies will sit and wait.

AMERICAN NEWS

Insider nominated to head CIA as Casey resigns

BY LIONEL BARBER IN WASHINGTON

MR WILLIAM CASEY, the 73-year-old director of the Central Intelligence Agency (CIA), has resigned and his deputy Mr Robert Gates, a career officer who has served with the CIA since 1966, has been nominated as his successor.

Mr Casey's departure was widely forecast since he underwent surgery last month to remove a cancerous brain tumour. After initial optimistic reports, it was disclosed that he was suffering speech impediments and had little chance of returning to work.

Mr Casey is a key figure in the Iran arms scandal whose testimony is considered crucial to discovering who knew about the secret diversion of funds from US arms sales to Iran to Contra rebels in Nicaragua. His testimony to Congress so far has been attacked for inconsistencies.

At Mr Casey's direction, the CIA helped to organise a private network of arms dealers and former CIA operatives to supply the Contras with military aid during a ban by Congress in 1984. Lt Col Oliver North, the White House staffer sacked for his role in the Iran affair, managed the operation.

The CIA's role in the Iran affair—and the resulting flood of embarrassing disclosures—has left the Agency demoralised and rudderless, according to Washington analysts. This contrasts with its revival under Mr Casey's leadership since 1981 when, as a close friend and campaign adviser of Mr Ronald Reagan, the President, he was appointed CIA director.

Mr Casey boosted the Agency's budget, encouraged undercover operations to help anti-Marxist insurgents in Afghanistan and Angola, and helped restore morale after the purges of the post Nixon era when the Agency's excesses were exposed by Congress and the media.

But under Mr Casey the Agency also suffered heavy setbacks particularly in its efforts to match the KGB in espionage coups. A leading Soviet defector—Mr Vitaly Yurchenko—was allowed to slip away from his CIA guards in Washington and "redefect" to Moscow.

A CIA mole—Mr Edward Lee Howard—disappeared while under surveillance at his New Mexico home in September 1985 and was later said to have betrayed America's spy network in the Soviet Union.

Critics say Mr Casey was a political appointment who lost a good opportunity to build solid political support for the Agency's activities on Capitol Hill. He regularly anatagonised Congress by not informing the select group of lawmakers who oversee the CIA of operations as required by Congressional oversight laws.

The CIA sponsored mining of Nicaragua's harbours in 1984 is a good example. Mr Casey also argued strongly that Congress should not be informed of secret US arms sales to Iran.

● Associated Press reported yesterday that the CIA's top officer in Costa Rica is being forced into early retirement for helping Lt Col Oliver North ship military supplies to the Contras in defiance of the ban by Congress.

Casey—too ill

US fighters for Iran operation uncovered

By Our Washington

PRIVATE international arms dealers led an operation to supply Iran with 39 American fighters and vast amounts of other weapons in definance of an embargo, but US Government officials who knew about sales did nothing to stop them, according to a report yesterday.

The US Government is said to have allowed the illegal efforts to continue because it wanted to gain intelligence information about Iran and access to Soviet tanks captured by Iran in its war against Iraq.

The New York Times said senior Pentagon officials were told about the operation in December 1985, though some of the arms dealers involved in the operation believe some senior officials knew about the operation byl early 1984.

The latest disclosures confirm a welter of other reports that the US public policy opposing arms sales to Iran did not match thee private reality.

Equally, the report highlights inconsistencies in the US government's attitudes to the activities of private arms dealers involved with Iran.

In New York, a number of foreign and American businessmen face charges of violating the US embargo. But, in the light of the disclosures yesterday and earlier reports of the US Government's dealings with Iran, it is difficult to see how prosecutors can make the charges stick.

The New York Times story reveals that the so-called Demavand project involved selling F-4 aircraft to Iran, with a contract value of more than $1bn. It is not known if they were delivered.

Electronic arrests

Criminal Justice officials in 20 US states are using electronic tracking devices to place more than 900 offenders under house arrest programmes, AP reports from Washington.

There are 45 such programmes in the US, 19 of them monitoring fewer than five defendants or offenders each, the National Institute of Justice said in a survey. Fourteen others supervise 20 or more people. The systems usually consist of ankle or wrist bands which emit an electronic signal to a computer.

Nancy Dunne reports on the controversy over surrogate parenting

US court ponders case of Baby M

JUDGE Harvey Sorkow of the New Jersey State Supreme Court makes no pretence of possessing the wisdom of Solomon, but the case of Baby M, over which he is now presiding, requires little less. In the first legal struggle of its kind in the US, the judge must decide whether a 10-month-old baby girl, conceived through artificial insemination, belongs to the surrogate mother who was hired to bear her, or the baby's biological father and his wife.

The attention of the country has been caught by the drama. Not only are two sets of anguished parents competing for the same child, but the outcome of the case is likely to decide the future of surrogate parenting as a means of providing babies for the one in six American couples with infertility problems.

Most surrogate parent arrangements are handled through the dozen or so agencies which have sprung in the US to match childless, prosperous couples with willing young fertile women, who are artificially impregnated with the contracting husband's sperm. The agencies usually charge several thousand dollars for their services and the surrogate mothers usually earn about $10,000 plus expenses.

While the practice of paying women for the use of their wombs may sound vaguely sinister, it is usually believed by those involved to be an act of humanity.

Such was the case of Mrs *Mary Beth Whitehead*, the natural mother of Baby M, who calls the child Sara. 3 30-year-old mother of two older children and wife of a dustman, Mrs Whitehead said she had volunteered to serve as a surrogate mother because she had witnessed the grief of an infertile sister. Through the infertility centre of New York, Mrs Whitehead agreed to provide a child for Mr and Mrs William Stern.

Mr Stern, a 40-year-old biochemist, is a survivor of the Nazi holocaust who wants to preserve his family line. His wife Elizabeth, 41, a paediatrician and a multiple sclerosis victim, feared she would be palaysed if she attempted to bear a baby of her own.

"Judge Sorkow, who has been asked to *enforce the surrogate agreement*, has little precedent to guide *him*"

When the child was born last March 27, Mrs Whitehead changed her mind about the arrangement, turned down the money and fled to Florida with the baby. Authorities later found them and, returned the child to the temporary custody of the Sterns, who had named her Melissa.

Judge Sorkow, who has been asked to enforce the surrogate agreement, has little precedent to guide *him*. Of the 500-600 estimated surrogate births in the country since 1976, only a few natural mothers have changed their minds and in those cases the commissioning couple did not pursue the children.

Surrogacy advocates like *to* cite the Biblical example of Hagar, slave to a then-barren Sarah, who bore a child for Abraham. Others point to the 1978 British case between a childless couple and a surrogate mother who refused to part with her child. Two courts awarded the baby to its natural mother with the appelate justices condemning the surrogacy as "a bizarre and unnatural arrangement" and "a kind of baby-farming practice."

For now, the case is being treated as a contract dispute. The Whiteheads' attorney is arguing that Mrs Stern is not, in fact, infertile, as the contract claims. The contract, he said, violates prohibitions in the state's adoption laws against selling babies and relinquishing parental rights before conception.

The case is complicated by the fact that Mr Stern is the baby's natural father. Since Mr Whitehead *had* a vasectomy operation years ago, it can be argued that Mrs Whitehead used Mr Stern to provide her with a child.

She insists, however, that she had not changed her mind until she was in the delivery room. "I am doing this so the Sterns and I, and people like us, never have to go *through* something like this, and so there'll never be another baby like Sara."

In the end, *it* may come down to a custody matter. Mothers *are generally* awarded *custody* of babies in the US, although the Sterns' stronger financial situation will be in their favour. All the attorneys involved believe the case will reach the US Supreme Court.

The case, like many in which the advances of science have outpaced legal determination, raises many question. If surrogate parenting *is* legitimised will it create a class of less affluent women, exploited for the value of their wombs? Will the practice grow into an industry with babies treated as commodities? What ought to be the relationship of surrogate mothers with their offspring? Can a woman who promised to *help a childless couple be bound* to her written word?

Mrs Whitehead as attracted many important allies to her cause. One, who uses the pseudonym Elizabeth Kane, was a surrogate mother who handed over her baby in 1979.

"I built a wall around myself. I would not let myself feel for that child," she said in a recent television interview. However, one day she was talking by telephone to the child's adoptive mother and heard his voice. Since then, she has been plagued by remorse.

Mr Bill Pierce, president of the National Committee for Adoption, is crusading for a ban on surrogacy. There are 35,000 children available in the US for adoption, he said, although all are not healthy or white.

It is unconstitutional, he contends, to "buy and sell living, breathing human beings."

Still, the number of children available for adoption, reduced by the use of birth control and abortion, can in no way meet *the demand*. For many desperate childless couples and women in need of money, surrogate parenting is the best of all possible options.

US productivity up less than 1% in 1986

THE EFFICIENCY of the US economy in producing goods and services fell sharply during the last three months of 1986 to limit the annual productivity gain to less than 1 per cent for the second consecutive year, the Labor Department said yesterday, AP reports from Washington.

Non-farm business productivity for the year was 0.7 per cent, slightly better than the 0.5 per cent increase in 1985, but well below the respective 1.8 per cent and *3.3 per cent increases of 1984* and 1983.

Manufacturers continued to show the best results. Manufacturing productivity increased 2.7 per cent in 1986 after 4.4 per cent in 1985 and a 4.1 per cent rise in 1984.

Shultz visit

MR George Shultz, US Secretary of State, will visit China in the first week of next month as part of a brief tour taking in South Korea and Japan. Mr Shultz's visit comes at a time when US officials are attempting to assess the significance of the recent crackdown on "bourgeois liberalism" as Peking describes Western political influence.

Mr Shultz is likely to visit Canton and Guelin before going on to Peking for two days of talks with Deng Xiaoping, the Chinese leader.

Deere strike ends

United Auto Workers *union members in six* states have approved a contract with Deere, ending a five-month work stoppage, the union said.

Brazil's bandits turn to mahogany rustling

BY IVO DAWNAY IN RIO DE JANEIRO

TREE RUSTLING is the latest free enterprise activity to capture the imagination of Brazilian bandits in the massive, near-lawless northern state of Para.

Gangs of *Pistoleiros* have discovered that the profits from traditional activities—robberies, extortion or as hired guns to intimidate squatters—can compare poorly with the returns from illegal lumberjacking.

Last month, news of this latest in Para's endless law and order problems hit the national headlines with the murder in a gunfight of a Mr Tarley Andrade, in Santana de Araguaia—a provincial town half way between Brasilia and the state capital of Belem. The case, the sixth in a fortnight according to one report, only gained countrywide attention as the 27-year-old landowner was son of the treasurer of the recently-formed Democratic Landowners Union (UDR)—an *organisation not noted for* its softly-softly treatment of the landless.

Behind the violence, more widespread even than the ubiquitous local land disputes, lies the stunning profits that felling the region's wild mahogany can bring. A cubic metre of the wood can be sold for as much as Cruzados 8,500 (£346)—ten times the minimum monthly salary.

In comparison, the murder last year of padre Josimo, a campaigning *local* priest whose killing caused an international outcry, was said to be commissioned for just Cz 50,000. The removal of less prominent figures can be arranged for a tenth of this.

Tree stealing has had dire consequences for more orthodox loggers, reducing the number of legitimate companies operating in the area from 200 only a few years ago to 20. Attempts to restrict felling have hampered the companies further while the gangs have operated freely. By selling their booty to small, uninquisitive saw mills, they have forced *down prices*.

Brazilian stocks of mahogany are said to be extremely high, while the substantial price of the wood on the international market has recently been slowing sales as buyers turn to other, cheaper alternatives.

Para is an enormous state, about half the size of the entire European Economic Community, and in the region where Mr Andrade was killed just one federal inspector faced gangs of up to 24 heavily armed men.

As *a local judge pointed out*, when offered the choice of receiving a small facility payment for a temporary attack of official blindness or risking their lives, such officials do not hesitate long.

The wood gangs may be damaging their own interests, however. Most *pistoleiros* have found that the most lucrative and regular work in the region has been helping the local large landowners protect their property from *incursions* of landless squatters. The death toll has run into hundreds.

By taking on their usual employers in the hunt for trees, the gangs may be killing a golden goose.

WORLD TRADE NEWS

Soviets in move to enter Indian motor industry

BY JOHN ELLIOTT IN NEW DELHI

THE Soviet Union has launched an attempt to break into *India's slowly* expanding motor industry with a joint venture, backed by a $4.5m (£3m) equity stake, to make Lada cars in partnership with a private company.

It proposes to manufacture each year between 50,000 and 100,000 of the 13 cc Samara car and the Niva four-wheel drive vehicle. It says it will buy back some completed vehicles as well as components.

Joint ventures between Soviet public-sector organisations and the Indian private-sector were discussed when Mr Mikhail Gorbachev, the Soviet leader, visited New Delhi two months ago.

So the project, which has not been cleared by the Indian Government, is believed to have considerable political backing in both countries. It might therefore have an advantage over other collaboration proposals from Japan and western Europe now being considered.

A group of Indian business*men and engineers have formed* Asian Vehicle Industries of New Delhi for the venture, which would be located in south India and involve expenditure of Rs 800m (£40m).

A Soviet industrial organisation would take 30 per cent of the proposed Rs 180m equity.

Asian Vehicles was chosen by the Soviets after approaches from more than a dozen Indian companies. Yesterday talks were held at the Indian Ministry of Industry about the industrial, technical and other approvals needed.

But approval might be delayed because India's motor manufacturing policy has been unclear for over a year. There are conflicting views among ministers about how many foreign collaboration licences should be issued and how much foreign exchange allocated for foreign partnerships.

Several Japanese and western European motor manufacturers, including Nissan, Honda, and Citroen, have submitted assembly and manufacturing proposals to the Government. Other companies, including Toyota, Subaru, Volkswagen, Fiat and Volvo, are drawing up plans.

But demand for cars in India is low and would, the Govern*ment believes, be more than* satisfied by the production capacity of between 140,000 and 200,000 vehicles a year already covered by manufacturing arrangements.

US finance facility for New Delhi Exim bank

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import Bank, moving aggressively into Asian markets and to boost small and medium-sized sales, has made available a $10m (£6.6m) medium-term financing facility for the Export-Import Bank of India.

The facility comes after the US agency set up two $100m concessionary lines of credit for Thailand and Indonesia and announced it would challenge Japan in those markets for telecommunications and power project business.

The Indian facility will be available to finance US exports of capital equipment, services or capital goods components for use by public or private companies. Individual transactions may have a contract value of between $200,000 and $5m.

Mr John Bohn Jr, Eximbank chairman, said the line of credit offered US suppliers competitive financing in India where other countries have extended similar facilities.

Last Friday, the bank announced approval of a financial guarantee to assist in financing the $75.7m US cost of two Boeing 757-200 jets to Royal Nepal Airlines of Kathmandu.

The $94.4m cost of the aircraft includes $18.7m in non-US content, which will be supported by the Export Credit Guarantee Department of the UK. Eximbank, which has recently agreed to offer financing for more sales with foreign content, will cover 85 per cent of the US export value of $64.3m.

Indonesia to revive plan for $2.3bn olefin plant

By John Murray Brown in Jakarta

INDONESIA is to revive a $2.3bn (£1.5bn) olefin plant construction project in Arun in north Sumatra. The project had been scrapped after falling oil prices forced a review of major capital spending.

The project, to extract petrochemical products for the plastics industry, is to go to public tender, with finance provided by the contractors.

Mr Abduk Rahman Ramly, president director of Pertamina, the state-run oil company, said the Government would not provide loan guarantees. Capital outlays by the contractors would be recovered from production proceeds.

Exxon Chemical Company, a subsidiary of Exxon, the US oil company, was awarded the project when it was first tendered in 1982. It was then worth an estimated $2bn.

The Government is also completing loan negotiations with Exim Bank of Japan for *the funding of a $900m* liquefied petroleum gas development project at Arun and *Bontang in Kalimantan*, formerly Borneo.

According to Exim, the yen-*deniminated loan will* be made to Mitsui, Mitsubishi, C. Itoh, Nissho Iwai and Sumitomo.

The plant will process 1.95m tonnes annually for export to Japan with first shipment expected in 1988.

Italian companies in US sweetener venture

TWO ITALIAN companies, Montedison Chemicals Group and Ferruzzi Agro-Industrial, have announced a joint venture to manufacture artificial sweeteners in the US with Biospherics, of Maryland, Alan Friedman reports from Milan.

Ferruzzi, which controls nearly 30 per cent of Montedison ordinary shares, is to take 25 per cent of the venture. Montedison will also hold 25 per cent and Biospherics 50 per cent.

The US company will contribute patents and technology and the two Italian companies up to $10m (£6.6m) of development funds. The idea is to develop, manufacture and market a low-calorie sweetener

Steven Butler on how foreign companies have been attracted by cuts in business costs

Singapore tunes in to the electronics boom

IN A renovated factory building in Singapore's Jurong Industrial Estate, employees of Aiwa, the Japanese consumer electronics company, are quickly bolting together tables, conveyor belts and electronic testing equipment, just as soon as they come in from the airport.

In a scramble to escape the effects of the yen's appreciation, *Aiwa is closing down its* main Japanese factory, shutting off production lines one at a time, dismantling them and turning the switch on reassembled equipment in Singapore just six weeks later. At least 25 per cent of Aiwa's output will be exported to Japan.

Aiwa is joining a stream of electronics companies from around the globe that have been expanding their operations in Singapore in recent months. The surge of investment in the electronics industry, which *is* matched equally by increases in production and export of electronic products, is one of the clearest signs yet that the Singapore Government's efforts to reduce the cost of doing business is working.

The scope of the industry has now reached a critical mass. End product manufacturers have supported the growth of a strong parts and components industry, which in turn makes it easy for new entrants to set up shop quickly.

The manufacturing industry now runs the gamut from sophisticated silicon wafer fabrication, for which SGS Semiconductor is the first entrant, to run-of-the-mill assembly of audio equipment and televisions. Singapore has now become the world's largest manufacturer of disk drives, with Seagate Technology having three factories that employ about 6,000 workers and produce 11,000 disk drives a day.

The industry is also rapidly moving out of pure manufacturing as companies begin to take advantage of Singapore's relatively cheap supply of engineers to establish local design and research and development facilities.

This is all something of a *dream come true for the Singa*pore Government, which watched its electronics industry fall off sharply from a peak in the third quarter of 1984. The future of the industry was precarious because of the sharp rise of local labour costs earlier in the decade.

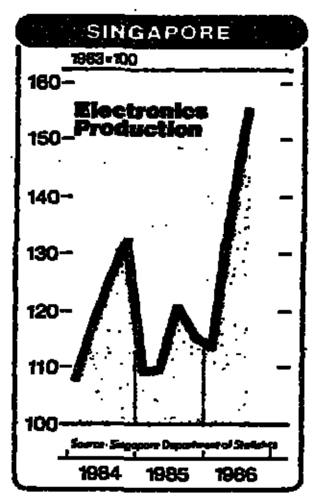
Now electronics is leading the economy out of a deep recession that still plagues many other sectors.

Singapore's electronics industry is dominated overwhelm*ingly by foreign companies* producing for export. Virtually all the major players are present, from the Japanese giants Matsushita and Hitachi to European and American companies such as Siemens, Phillips, Nixdorf, AT&T and General Electric.

Unlike other countries in the region, Singapore does not have rules that limit foreign equity ownership, mandate technology transfer, or set limits on employment of foreign expertise. Capital can be moved *quickly* in and out.

Indeed, because of its small size, with a population of just 2.5m, Singapore's political leaders have ruled out the possibility that any single domestic company could be large enough to compete seriously against the technological giants that have set up shop here.

Since the multinationals are not seen as a threat to national



development, the Government has no reason to erect barriers to *limit* their operations. Instead, it sees their presence as providing employment and opportunities for Singapore entrepreneurs who are en*couraged to specialise in manu*facturing or service niches.

The attraction during the last decade, when many manufacturers first came to Singapore, was cheap wages pure and simple. Labour intensive assembly jobs such as soldering transistors to circuit boards had become far too expensive for Europe or America and workers did not need high skills or education.

The Government's "high wage" policy of the early 1980s, however, undercut this rationale. The Government in essence told manufacturers that they would have to raise productivity to match the jump in wages, but investors were driven away.

Early last year, as part of a package to revive a seriously flagging economy, labour costs dipped by about 12 per cent when the Government slashed employers' contributions to the national pension scheme. The Government implemented a programme of wage restraint and promised to keep the lid on for another year.

Even so, Singapore's wages *are far higher than its neigh*bour's and wages alone cannot explain the growth of the industry.

Mr Yochiro Uzurahashi, Aiwa Singapore's production director, admits that if his company had had sufficient time it might have chosen to expand in a country where wages were lower. But with Aiwa's profits plunging into the red last year due to the effects of the high yen, it had no time to look around.

Aiwa had had a successful operation in Singapore and decided to expand. Factory space was readily available, rents and utility costs were coming down and a new operation could start without delay.

Aiwa is still able to take advantage of cheap wages in neighbouring countries by contracting out mechanical assembly jobs, where precision is less important, to companies in Malaysia.

Mr Uzurahashi also makes the rather startling observation that Singaporeans are more international in outlock than Japanese, have better command of English, and that this will be a big plus for a company that is depending on foreign markets.

The cost calculus for Matsushita has come out more or less the same. Matsushita operates six different companies in Singapore that produced S$630m (£192m) of goods last year.

Despite the higher labour costs, says Mr Norio Gomi, managing director of Matsushita Denshi, Singapore's superb telecommunication facilities, air and sea freight connections, and other supporting infrastructure make the total cost of the manufacturing operation lower than would be the case elsewhere in *the region*.

Matsushita Denshi has recently made preparations for the assembly of 256Kdram chips in Singapore, with production to get under way as soon as demand picks up.

"The market is shifting from Japan to this region," says Mr Gomi.

Amid all this good news there are still some dissenters. Mr Nobuo Kanoi, a senior executive from Sony, told a seminar in Singapore last autumn that Sony would not invest in the island state. He voiced a complaint expressed privately by many Japanese executives when he said that job hopping was too frequent. This is a growing worry, as many Japanese companies take Singaporeans to the home office for up to two years of training.

Government officials say the complaint is particularly strong from Japanese employers, who are used to a more stable labour market at home, but that companies based in other nations have not encountered *problems*.

Mr Kanoi also said the infrastructure, labour force and parts supply still cannot support a truly high technology industry, as opposed to sophisticated assembly operations. In this he may be right, but the development of the industry is rapidly pushing it in that direction and the Government is doing everything to ease the way.

Deal over radio relay station

BY JUDITH MALTZ IN JERUSALEM

ISRAEL and the US have resolved their differences over a controversial Voice of America relay station, to be built in the southern Arava desert. Construction of the $300m (£200m) station will be reserved for Israeli companies.

In return, the Israelis have agreed to hand over all contracts involving the supply and installation of transmission equipment and antennas to the Americans but with one condition: the Americans will also have to sub-contract to Israeli companies.

Mr Yoram Alster, director-general of the Communications Ministry, who heads Israel's negotiating team, is confident Israeli companies will ultimately receive about one-third of these equipment contracts, valued at $170m.

It has also been agreed that the relay station will be operated by Israelis but administered by representatives from both countries.

Mr Alster said yesterday he believed the final agreement would be signed within a few months.

An umbrella agreement, governing the establishment of facilities, was initiated during a visit to Israel by Mr George Bush, the US Vice President.

Once the agreement is signed, Mr Alster estimates it will be at least another year before construction begins.

Under the accord reached with the US, Israeli companies will be guaranteed slightly over half the work, compared with the 70 per cent minimum originally sought by local industry.

Egypt power station pact

BY TONY WALKER IN CAIRO

AUSTRALIA and Egypt have agreed to collaborate on detailed specifications for a $2bn (£1.3bn) coal-fired power station and coal transhipment project on the Gulf of Suez, south-east of Cairo.

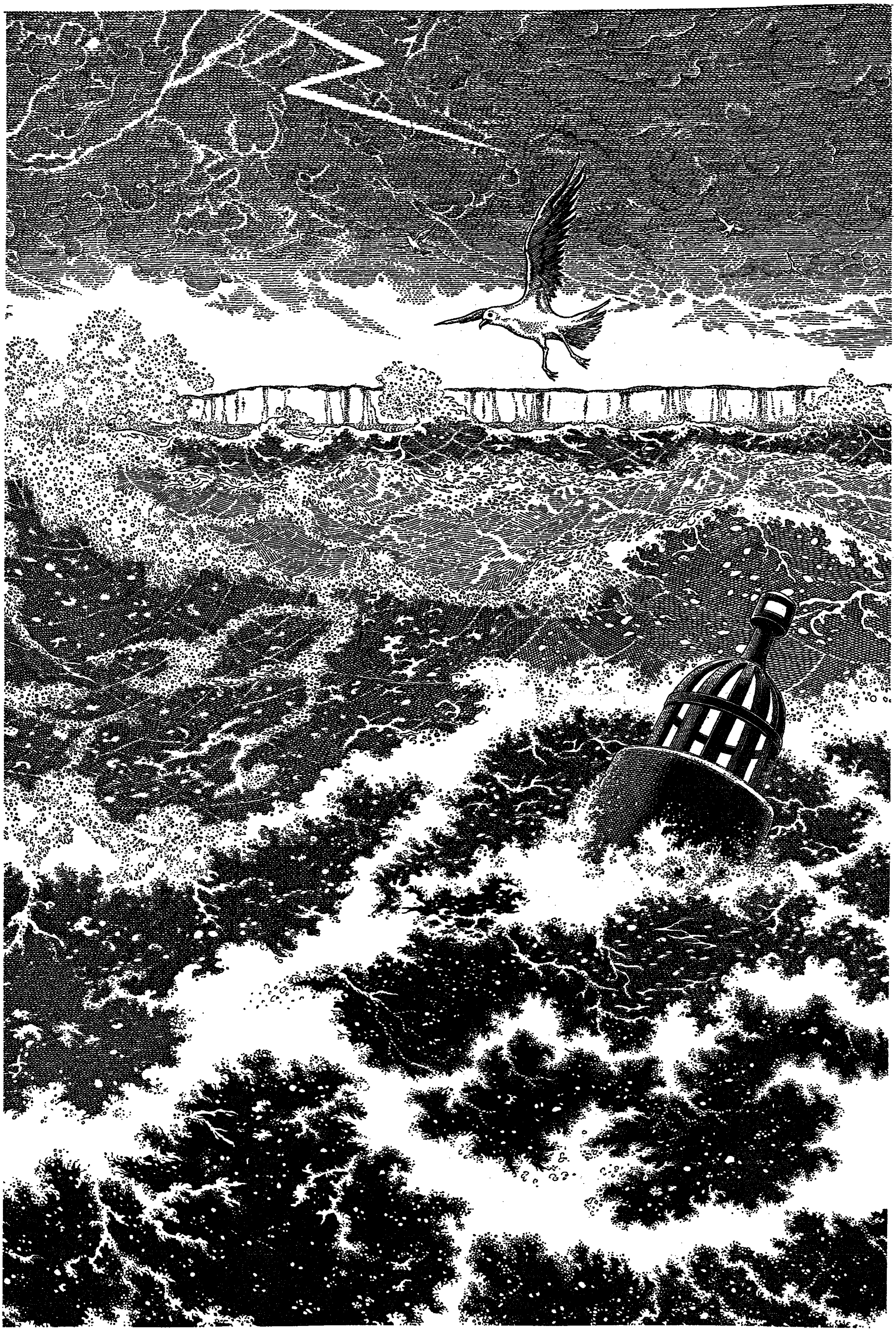
Mr Bob Hawke, Australia's Prime Minister, confirmed on a visit to Cairo that his government would help fund a detailed appraisal of the *Zafarana* project.

Egypt has said it will meet the local currency costs of drawing up specifications. The project would be part-funded by the World Bank,

Australian companies have expressed an interest in the project. It would include a 2,600 mw power station (4 x 650 mw units) plus a port capable of handling 15m tonnes of coal a year for distribution in Egypt and elsewhere in the region.

Siemens of West Germany, General Electric of the US and several other international groups have been involved

Australian sources say that if the project goes ahead, it would encourage the expansion of coal mines in Australia and the possible opening of new ones.



Merger creates biggest legal firm in Britain

BY HAZEL DUFFY

BRITAIN'S biggest law firm was formed yesterday through the merger of two City of London firms, Clifford-Turner and Coward Chance.

The merger will become effective on May 1st and the firm will be known as Clifford Chance. It will have over 160 partners, more than double that of Linklaters & Paines, and Slaughter & May. Together with Clifford-Turner, they made up the top three City firms ranked according to number of partners. Firms of solicitors do not reveal fee income.

The rationale for the merger, which has been a closely guarded secret while under discussion for the past few months, was said yesterday to be a response to the needs of the international financial and business community.

Competition among the top City firms is increasing as their clients negotiate more complex deals, requiring legal experts with specialist knowledge in financial matters. A merger between two more City firms – Richards Butler and Cameron Markby – is expected to be announced shortly.

The last sizeable City merger was in 1980, when Cameron Markby was formed. Some lawyers believe that there could be more, with the Government now considering giving permission for partnerships of mixed professions.

Sir Max Williams, senior partner at Clifford-Turner, said that Clifford Chance would be well placed to play its part in maintaining London as one of the world's leading financial centres.

Both firms have several overseas offices, including Tokyo, Hong Kong and Singapore in the Far East, as well as in Europe and North America. These might be amalgamated, and the plan is to put both firms together in a London office. But the 630 legal personnel worldwide have been told there will be no redundancies.

Sir Max described the merger yesterday as "a response to the needs of the international financial and business community."

Sir Max and Mr Tom Johnson-Gilbert, senior partner of Coward Chance, will be joint senior partners in Clifford Chance.

The new firm, Clifford Chance is the product of a merger of strengths, and its significance lies in what it says about changes affecting the profession as a whole, as well as the changes running right through the City.

The merger, is the first signal that competition is making itself felt at this level in legal services.

The market for legal services increased dramatically in recent years, spurred by the growth in diversity of final services.

Freight services hit in Irish shipping strike

BY HUGH CARNEGY IN DUBLIN

ALL FREIGHT and passenger services from the Republic of Ireland on the state-owned B&I shipping line were at a standstill last night after the escalation of labour disputes that have plagued the loss-making company for months.

Ships' officers extended their strike from the passenger service to the freight service yesterday when talks broke down in a dispute over manning levels and scheduling. The freight service was already down to half capacity because of another unresolved dispute with craftsmen.

Only a freight service from Larne, in Northern Ireland, to Britain was still operating yesterday. Apart from the immediate disputes, B&I is struggling to get agreement with its unions on a survival plan involving nearly 400 redundancies. The dispute is costing the company more than £500,000 a week.

Grey market begins in British Airways

BY RICHARD TOMKINS

CLEVELAND SECURITIES, the UK licensed dealer which said it would not make a grey market in British Airways' shares in advance of official dealings, yesterday performed an unexpected about-turn and started trading the stock at a premium of more than 25 per cent to its issue price.

At the close yesterday it was quoting a buy/sell price of 80p/85p for the 65p partly-paid shares, reflecting widespread expectations that the issue will close oversubscribed on Friday and go to a healthy premium when official dealings begin on Wednesday next week.

Grey market dealing consists mainly of trading shares in new issues before letters of allotment have gone out. Last month Cleveland announced that it would no longer make grey markets in privatisation stocks because of hostile comment over its role in last year's British Gas flotation.

This appeared to rule out the possibility of grey market dealings in British Airways' shares because Prior Harwin, the only other grey market dealer, had been closed down a month earlier by the Department of Trade and Industry.

Yesterday, Cleveland said it had reviewed its position in the light of press comment and the "obvious" premium which the shares would attract.

"We were under a lot of pressure from our institutional and international clients to make a price," said Mr Harvey Lawrence, Cleveland's corporate finance director.

"We were already making a market in Paribas (the French state-owned investment bank), and it seemed odd to them that we were making a market in a French privatisation stock but not in a British one."

Mr Lawrence stressed that Cleveland would only deal with institutional clients and that the minimum size of trade would be 25,000 shares.

Cleveland thinks it can afford to risk the Government's displeasure over dealings in British Airways because the attractive premium it is quoting is likely to encourage investment in the stock.

Criticism about its role in the British Gas flotation centred mainly on the fact that the low premiums sometimes quoted could have put people off the shares and jeopardised the flotation's success.

Cleveland's move vindicates the decision of Hill Samuel, the merchant bank sponsoring British Airways' flotation, to arrange for official dealings in the shares to begin five days before letters of allotment go out.

The justification for the decision had always been that it was necessary to minimise the amount of time during which grey market dealers might be tempted to operate. That rationale began to look tenuous when Cleveland said it was not going to deal.

Striking telephone engineers may phase productivity moves

BY CHARLES LEADBEATER, LABOUR STAFF

MR JOHN GOLDING, the general secretary of the National Communications Union (NCU) met senior British Telecom managers last night in an effort to give renewed momentum to talks aimed at ending the strike by 110,000 telephone engineers.

The meeting was arranged to see if the two sides could agree a revised framework to allow detailed negotiations to consider phasing in some of the productivity measures BT wants over a longer period.

Mr Golding proposed that some of the productivity measures BT wants should be considered as part of this year's pay talks. This may allow the 1986 award to be made with fewer strings attached to it, which would go someway to meet the union's demand that pay and productivity should be dealt with separately.

The Government is to crack down on the use of unapproved cordless telephones because they are interfering with emergency services. Mr John Butcher, Telecommunications Minister, announced that he would introduce legislation within the next two months to restrict the import, sale, manufacture and possession of the phones.

The strike follows the breakdown of negotiations on the union's 1986 claim. The union claimed that the strike is starting to affect the City of London. Several important City exchanges were out of action yesterday afternoon, the union said.

Negotiations on the two annual pay awards are on the verge of merging, as the NCU normally submits its claim in March.

Mr Iain Vallance, BT's chief executive, said that before entering the 1987 pay round the company would have to conclude specific agreements on how the efficiency measures would be implemented.

However, he did not rule out the possibility that they could be phased in over a longer period, rather than introduced as a package in the 1986 settlement.

Union leaders recognise they will have to offer the company a detailed timetable for introducing the efficiency measures, and agree to some forming part of the 1986 settlement.

The engineers' pay negotiating team met yesterday to draw up a proposed timetable for introducing the changes to working practice.

Single union deal threatens clash

BY JIMMY BURNS, LABOUR STAFF

A LEADING Japanese electronics company in South Wales was heading for an inter-union clash yesterday over a single union agreement which it is expected to sign.

The EETPU electricians' union is likely to confirm the single union deal with Orion UK in a joint statement next week. Mr Wyn Bevan, the union's executive councillor, said single union recognition had been offered by "a process of elimination of the other unions."

The Transport and General Workers' Union (TGWU), however, claims that it has the biggest representation at the plant and that a deal with the EETPU would, in the circumstances be in breach of Trades Union Congress guidelines. It is understood that Orion recently backed off from signing a deal with the EETPU because of TGWU pressure.

Dunlop Slazenger's chief to lead Raleigh

BY LISA WOOD

MR ALAN FINDEN-CROFTS, chief executive of Dunlop Slazenger International, part of BTR, the industrial conglomerate, has been appointed the future group chief executive of the Raleigh bicycle business.

Raleigh was sold this month for £18m by TI group to Derby International, a specially created international corporation.

TI Raleigh, based in Nottingham with factories in Holland and Canada, has suffered losses for seven years despite efforts by TI to turn the business around.

Mr Finden-Crofts said: "We have paid this price on future gain and not past performance."

Mr Finden-Crofts, who has a 12 per cent equity stake in Derby International, said: "The business is capable of being turned around in the next two years. It will however take between three and five years to have it safe and sound."

He said the Raleigh and its component maker, Sturmey-Archer, were in a similar position to that of Dunlop Slazenger four years ago, with excellent international brands linked with the best product technology but with a high-cost operational base in the UK.

Mr Finden-Crofts said: "There has been no effective international co-ordination of product design, marketing and purchasing, which have been operated within a parent company environment of industrial rather than consumer product management."

The purchase of Raleigh by Derby International is expected to be completed by March. The founding shareholders of Derby International are Mr Finden-Crofts, Mr Merlin Nelson, formerly vice-chairman of AMF Incorporated, once the second largest bicycle manufacturer in the US, Mr Robert Johnson, an advisory director of Shearson Lehman Brothers, the US investment bank, and Mr Edward Gottesman, a US lawyer who lives in England who is the lead man.

A number of UK institutions are involved in financing the deal. They include Kleinwort Benson and Barclays de Zoete Wedd, Globe Investment Trust and Witan Investment Corporation. Total shareholders funds of the new group will be more than £45m.

The international bicycle market is fragmented with strong local preferences but Mr Finden-Croft is confident that he can rebuild a major international business around a basic product range.

While Europe will continue to be a major focus of Raleigh export efforts, Mr Finden-Croft is also looking to the US. Prior to 1979 the company sold some 250,000 bicycles a year there but it was largely priced out of the market with the strength of sterling.

Employers may hold conference on Aids

By David Brindle

BRITISH EMPLOYERS may hold a special conference on the disease Aids, after disclosure that the airline, Dan-Air, had cited the disease in support of its former policy of not employing male cabin staff.

The disclosure is the first hard evidence of a big employer having discriminated against supposed or overt homosexuals on grounds that they could spread Aids

The Confederation of British Industry (CBI) said it had been receiving a growing number of inquiries from employers about the risks posed by the disease. It had recently issued guidelines on the risks and consequences for employment policy, but was considering whether it should hold a special conference.

The Employment Department has already issued its own guidelines to more than 400,000 companies, warning that discrimination against carriers of the Aids virus would in most cases leave employers open to actions for damages.

Evidence of former discrimination by Dan-Air emerged yesterday in publication by the Equal Opportunities Commission of its investigation report on the airline's practise, which ended last year, of employing only female cabin staff.

The report says that in 1985, during the investigation, Dan-Air and its parent company, Davies & Newman Holdings, had told the commission that the airline's company doctor had advised against changing the all-women recruitment policy until the diagnosis and treatment of Aids became clearer.

According to the report, Dan-Air's counsel had submitted that Aids mainly affected homosexuals and that up to 30 per cent of men attracted to cabin staff work were homosexual. Cabin staff were "sexually promiscuous" and the disease could be transmitted through sexual intercourse or, to passengers, through sufferers either cutting themselves or administering artificial resuscitation, the report added.

Dan-Air said last night that it had not alleged promiscuity on the part of cabin staff, but it otherwise defended its former policy on the basis that relatively little had been known about Aids at the time.

Lucy Kellaway analyses the position of offshore development after recent price rises and before next month's Budget

Few prospects on horizon to lift North Sea drilling out of doldrums

THE CUTS announced by the oil industry for the North Sea last year are biting hard. Only 18 wells are being drilled in the UK sector, compared with 50 a little over a year ago.

At fabrication yards the workers have been watching completed platforms sail out to sea, and are growing desperate for something more to do.

However, since oil companies drew up their slender budgets for this year, the oil price—expected by most to remain near $15—has risen by about 20 per cent. But has the rise come in time to provide enough work to keep development teams together, and keep the industry alive?

A dramatic recovery would be too much to hope for. While the present price of $18 a barrel is clearly better than $12 to $15, it is a long way from the $30 price which was previously the background for most North Sea projects.

However, recent improvement in prices may protect the industry from an even bleaker future. The Royal Bank of Scotland estimates that the recent price rise may have saved up to 10,000 oil-related jobs in Scotland, as developments which were previously uneconomic are now likely to go ahead.

According to Wood Mackenzie, the broker, at $15 a barrel only one proposed North Sea oil development, the big Miller field, achieves a return of more than 10 per cent, while at $18 four more fields — Ettrick, Arbroath, Osprey and Don — pass the test.

Any recovery will not happen in a hurry. So far the industry, still fragile after the events of last year, does not accept that oil prices have settled at $18 a barrel and has no plans to rethink its budgets.

Mr Julian West, of Enterprise Oil, says: "Do I believe the oil price outlook has changed? The answer has to be no."

'For the industry as a whole, last year may have been a boon, in forcing it to find cheaper ways of doing things'

Mr Chris Greentree, chief executive of Lasmo, says: "I cannot see anyone taking a development decision on the fact that the oil price has gone up by $3."

However, there are other reasons for expecting 1987 to be a better year for oil developments than 1986, during which the Department of Energy did not receive one application for an oil field development.

One important spur is falling costs, which have occurred as a direct result of the fall in the oil price.

Mr Martin Lovegrove, of James Capel, says: "For the industry as a whole, last year may have been a boon, in forcing it to find cheaper ways of doing things."

He argues that a cut in development costs has a more immediate effect on field economics than a rise in the oil price, as the benefits are felt immediately rather than being delayed for several years until the first oil is produced.

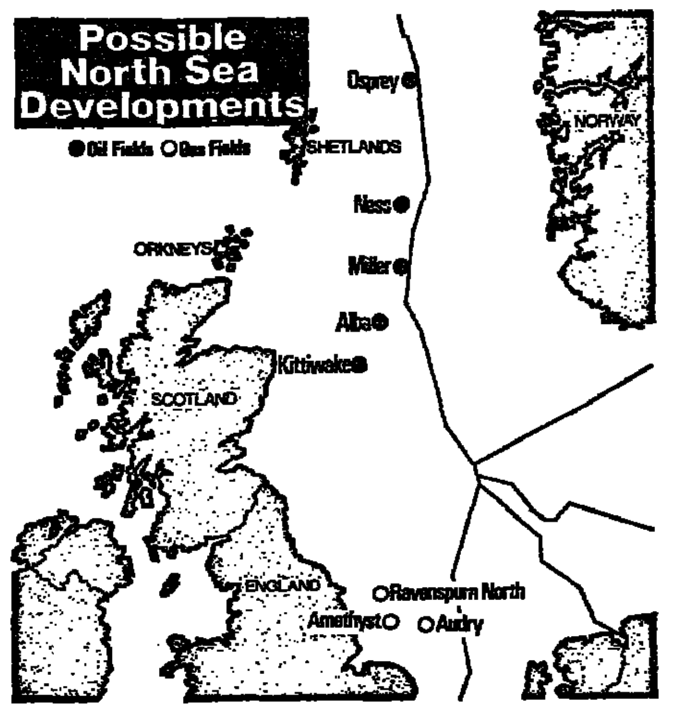
Both of the two large developments under prospect, Shell's Kittiwake and BP's Miller field, were returned to the drawing board as the oil price plunged and plans have been produced costing between 20 and 30 per cent less.

All the old "gold plating" of developments has gone and cost-saving technologies have been introduced, with the result that both are profitable even at present oil prices.

Miller, probably the first of the two to be approved, contains about 300m barrels and is likely to cost nearly £1bn, making it the largest oil development for several years.

The studies have been done and are being scrutinised by the partners to decide which of the alternative schemes is best.

This may take a while. "The pile of papers goes from the floor half way up the wall," Mr West says. Enterprise owns 30 per cent of Miller.



An application for permission to develop is unlikely before the summer at the earliest.

Shell may be ready later in the year to submit its plans for approval of Kittiwake which, according to Wood Mackenzie, will cost about £350m to develop and could come on stream by 1991.

Meanwhile, the smaller Arbroath field, which has been ready for development for the past five years, is now likely to go ahead, following the resolution in December of a dispute between the Department of Energy and the operator, Amoco, over the field's status.

Even stronger candidates for early development are tiny satellites — Shell's Osprey field and Mobil's Ness field — which together contain only 75m barrels and which will be relatively cheap to develop as they will be linked to existing platforms.

Less certain, but more exciting, is Chevron's Alba prospect, which is still being appraised. It could be one of the largest fields discovered in the North Sea, with estimates of recoverable reserves ranging up to 700m barrels.

The companies involved are keeping quiet about the discovery, but are thought to be discussing plans for bringing the field to early production.

But the first development likely to be announced this year will probably be in the gas sector, which has remained relatively unaffected by the fall in the oil price.

Within the next few weeks plans for the Audrey gas field are likely to be submitted. Phillips, the operator of the field, signed agreements with British Gas in 1983 promising first deliveries will start in 1988.

Conoco is believed to have reached agreement with British Gas over the sale of the rest of the gas and, once approved, development will have to proceed rapidly to meet the 1988 target.

Other gas fields likely to be approved this year include the Ravenspurn North and Amethyst fields, although the timing of these will depend on the progress of negotiations with British Gas.

Meanwhile, the chances of a pick-up in exploration drilling, which was down by about a quarter last year, are slim. Even though drilling budgets were slashed last year as companies found they did not have enough cash to pay for them, the recent improvement in their cash position is more likely to be spent paying back money to the banks than on exploration.

Companies are waiting anxiously to see whether the Budget will bring any tax breaks they have been demanding

Mr Greentree says: "If compaines have got a bit more money, they might be prepared to drill another well. But that will not make much difference.

"At the moment we are planning to drill just one appraisal well in 1987, and we are not much different from anyone else."

But even if drilling did pick up and if all the new developments were given the go-ahead over the next 18 months, prospects do not look sufficiently bright to take the troubled oil industry suppliers off the danger list.

Although the approval of projects such as Miller would give it a big psychological boost, the work—most of which will not reach the suppliers until next year at the earliest—is only part of the load which should have already been placed.

The industry is waiting anxiously to see whether the Budget will bring any of the tax breaks it has been demanding for more than a year.

While the Government's response from the outset had been cool—some fear the latest rise in the oil price might provide the perfect excuse for doing nothing—small concessions now seem likely.

One proposal would allow pre-development costs, including engineering studies and design work, to be offset against petroleum revenue tax from existing fields.

No one pretends this would catapault the industry back into the sort of activity that could be expected if oil prices were $30. But it would be better than nothing.

Soviet finance deal aims to boost British exports

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN and the Soviet Union have signed a new trade finance agreement designed to substantially boost UK exports to the Soviet Union over the next four years.

The agreement, announced yesterday by Mr Paul Channon, Secretary of State for Trade and Industry, sets out terms under which the Export Credits Guarantee Department (ECGD) will provide financial support for UK exports of capital goods and equipment between now and 1990.

ECGD yesterday declined to put a figure on the contracts expected to be financed under the agreement, but officials said the department had placed no ceiling on its support and that credit facilities offered to the Soviet Union under the arrangement were equal to or better than those on offer from Britain's major trading partners.

The Soviet Union has been negotiating with a number of British companies for major projects in areas such as power, textile industry modernisation and chemical plants.

Industrialists believe the new agreement could pave the way for the announcement of one or more major contracts to coincide with the planned visit by Mrs Thatcher, the Prime Minister to Moscow at the end of March.

The agreement should help revive UK exports to the Soviet Union which have fallen back from a peak of £735m in 1984 to around £540m annually at present. The UK has not won a major Soviet order since Davy McKee was commissioned to construct a methanol plant there in 1979.

Parallel to the Government agreement, the Soviet Union has been negotiating credit lines with several major British banks. The first of these, for a total of £250m, was announced by Midland Bank yesterday. Barclays said it was finalising a similar deal and other lending banks are expected to sign credit lines shortly.

A feature of the agreement between the two governments is that it provides for the first time for the Soviet Union to raise UK-guaranteed export finance in European Currency Units Ecus instead of just sterling. This will help reduce Soviet interest costs.

Credit will be available for up to 8½ years and the ECGD will not provide subsidies for interest rates below OECD consensus rates. Where more favourable fixed rates are made available, individual arrangements will have to be made by lending banks and the exporters themselves.

Only three other European countries – France, Sweden and Austria – have similar framework agreements with the Soviet Union and the ECGD believes that its new deal matches the most favourable of the three, that offered by France, which still has to be renewed each year.

Alice Rawsthorn reports on the challenge posed by London's Third Market

Changed climate threatens OTC trading

WHEN Mr Tom Wilmot published his book, Inside the over-the-counter market, in 1985 the future, as he saw it, was rosy. The chairman of Harvard Securities, the largest OTC dealer, painted a picture of a "tremendously exciting" market which "those who ignore ... do so at their peril."

Today the future looks distinctly different. The financial climate in which the OTC market operates has changed a great deal in the last two years and for licensed securities dealers like Harvard, few of the changes have been favourable. Many observers are now posing the question of whether there is a future for over-the-counter dealing.

The introduction last week of the Third Market, the London Stock Exchange's new forum for trading in the shares of small companies, poses the most immediate threat to its OTC counterpart.

In many ways the creation of the third tier is a tribute to the success of over-the-counter trading. As the stock exchange freely admits, the growth of the OTC market was one of the factors behind the decision to open its own centre for dealings in small, speculative stocks.

The OTC market traces its roots to the early 1970s when M. J. H. Nightingale & Co, now known as Granville, assembled a market of large, private companies traded off the stock exchange floor.

The Granville market still exists but tends to be differentiated from the chief OTC market, which was pioneered by Harvard in the 1970s to deal in more speculative ventures and is now capitalised at £880m.

The 20 or so licensed securities dealers which conduct the OTC market have since recruited more than 200 companies and thousands of investors. But the market's development has been scarred by a series of company collapses and accusations of "cold calling." At the end of last year one of the largest practitioners, Prior Harwin, was forced to stop trading.

Yet the growth of over-the-counter dealing has proved to the stock exchange that demand exists among companies for a less rigorously regulated alternative to the Unlisted Securities Market (USM) and among shareholders for a source of risk investment.

Thus the Third Market has been introduced to satisfy the needs of these companies and their investors in a regulated forum. Some OTC-quoted companies, including Theme Holdings, Corton Beach and Publishing Holdings, have already "defected" to the new market; others are expected to follow suit.

The OTC dealers maintain that the introduction of the new market has had, and will have, no effect on the interest of either companies or investors. But most observers suspect that the third tier will usurp the role of the OTC market.

"What company would join an unregulated market when it could join an officially regulated forum?" asked Mr Ted Awty, partner of the accountants Peat Marwick. "And what investors would buy shares from dealers in an unofficial market when they could do so under the Stock Exchange's protection?"

Just as OTC companies have transferred to the third tier, so have some of the dealers. Croxly Securities, Frederick's Place, Granville, Guidehouse and United Trust & Credit have all become members of the stock exchange and all intend to become involved in the new market.

Other dealers, including Harvard, have also applied for membership.

If these dealers have not secured membership by September, when the Financial Services Act comes into force, their future looks distinctly bleak.

The act will impose rigorous restrictions on the ability of the firms outside the stock exchange to deal in securities. Last year the OTC dealers, led by Harvard and Prior Harwin, attempted to overcome this problem by introducing the London Securities Exchange, which would function as an alternative forum for small companies shares and would, or so they hoped, be authorised by the Securities and Investments Board as a Registered Investment Exchange.

After Prior Harwin's setback and the collapse of the computer company, OTCI, which was to have provided the technology for the project, plans for the new exchange have been jettisoned. Unless the existing OTC dealers, have been accepted as stock exchange member firms by September, it is difficult to see how they could continue.

The Granville market, which is engaged in infrequent institutional transactions, will continue to trade. Harvard maintains that, if its application is rejected – and it claims that there is no reason why it should be – it too will continue.

* *Inside the over-the-counter market by Tom Wilmot, published by Woodhead-Faulkner, £19.95.*

OTC COMPANIES TRADING TO DECEMBER 1, 1986

Companies recruited	222
Companies still quoted	153
Suspensions	25
Departures	
Full listing	3
Unlisted Securities Market	6
Rule 535 (2)	13
Acquired or Reorganised	14
Receivership or liquidation	8

Source: Peat Marwick

London lacking superstores compared to rest of country

BY CHRISTOPHER PARKES, CONSUMER AFFAIRS EDITOR

LONDON, the city with the most of everything in Britain – jobs, high incomes, cars and people – has too few superstores.

Compared with the rest of the country, residents of the capital and the surrounding counties are distinctly underprivileged when it comes to access to giant, 25,000 sq ft supermarkets selling everything from tea bags to motor cars and cheap petrol from the pumps outside.

The south-east of England comes at the bottom of the national league with 176,000 people to every superstore, compared with 91,000 in Yorkshire and Humberside. The situation is even tighter in Greater London, which scores 307,000 people per outlet.

However, things should improve over the next five years, according to a report from the Institute of Grocery Distribution.

Completion of the M25 orbital motorway and waning resistance in local authorities' planning committees suggest development will accelerate in the south-east, at least until the people-to-stores ratio reaches the 120,000-to-1 prevailing in Scotland, the north of England and the West Midlands.

Retail chains seem undeterred by mounting land prices, even although sites can cost up to £3m an acre, the institute reports. The number of superstores in Britain has risen from 151 in 1977 to 432 last year.

"Many observers question whether numbers can continue to increase at such a rate, and point to the proposed inevitability of superstore saturation," the report says.

"While it is certainly true that sites are getting harder to find and more expensive to purchase and develop, there does not seem to be any let up in the acquisition of such sites by the major multiple companies."

The report adds that with site costs rising, only the biggest retailers may be prepared to invest in the developments.

This would tend to concentrate even more grocery retailing power in the hands of the five top chains, which already account for some 50 per cent of the trade.

Further concentration in the supermarketing business seems inevitable, the report notes, forecasting further mergers and takeovers during 1987.

However, even although the multiples are building more and bigger stores and steadily expanding into new products and new territories, traditional food specialist retailers appear to be holding their own or even improving their position.

The number of specialist bakers appears to be rising, after falling 31 per cent between 1961 and 1984. The 52 per cent decline in butchers' shops over the same period hides the fact that numbers have recently stabilised at around 21,000.

Fishmongers, down 66 per cent to 2,600 shops in 1984, have also been affected by the multiples' activities, and greengrocers are being increasingly pressed as the chains extend their offerings of fresh foods.

More positively, the institute says health food shops now number 1,500 compared with 1,050 in 1980, and more adventurous consumers have provided a market base for some 4,000 specialist delicatessen outlets.

**Food Retailing Review 1986, Institute of Grocery Distribution, Letchmore Heath, Watford, Herts WD2 8DQ. £60 for company members, £90 individual members, £120 non-members.*

Table wine maker buys German group

By Lisa Wood

EUROPEAN CELLARS, the table wines business jointly owned by Whitbread and Allied-Lyons, two of Britain's biggest brewers, has acquired for an undisclosed amount Hermann Kendermann GmbH Weinkellerei, producers of Black Tower, a German table wine brand which is sold internationally.

The acquisition is the first to be made by European Cellars since its formation six months ago when the two brewers merged their table wines and wholesaling businesses.

European Cellars, whose brands include Calvet Stowells of Chelsea and Don Cortez, said the acquisition was in line with the company's strategy to achieve leadership in the international light wine market.

Black Tower is the brand market leader in the German white wine sector in Canada and Australia and is in the number two position in the UK and US.

Kendermann is a family-controlled business with an annual turnover of DM 80m (£28.5m). The Black Tower brand has been developed over the last 10 years.

Royal Opera House puts plan for offices

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE board of the Royal Opera House in London's Covent Garden will tonight seek planning permission for an office development which would partially fund the rehabilitation of the Opera House itself.

The Opera House, home of both the Royal Opera and the Royal Ballet, wants to embark on a £56m improvement of facilities, with the main work done between 1991 and 1993. If it can sell three adjacent sites for office development, it could realise £33m of the total cost.

The professional planners at the Westminster City Council are recommending to tonight's meeting of the planning committee, made up of elected councillors, that the scheme should go ahead in the face of strong opposition from local groups led by the Covent Garden Community Association.

If the city council approves the scheme – which means accepting a change of function from arts use to office use on the three sites the Royal Opera House wishes to sell – then it will probably provoke legal action from the Covent Garden Community Association.

The association has been urging the Opera House to accept an alternative scheme which would involve spare land being used for an international cultural centre instead of offices. Such a scheme, devised by Mr George White, is not thought to be financially viable by the Opera House.

The three sites in question were given to the Royal Opera House in 1974. If they are sold, the association argues, the opportunity will be lost for there later to be a second auditorium at the Opera House.

Once planning permission has been received, the Royal Opera House would call for bids from developers for the purchase of the sites and the office developments upon them. It has calculated that the office developments would cost about £98m.

Receipts of £33m for the land would leave the Opera House with £23m to find from benefactors for the balance of the cost of improving the facilities for the opera and ballet companies. Its target is to identify the sources of the money by September 1988, but a spokesman said, no work would start until its financing had been secured.

UK NEWS

Land Rover output dips to lowest for 30 years

BY JOHN GRIFFITHS

LAND ROVER production fell by one-third last year to the lowest level since the late 1950s.

The fall, from 31,000 to 21,000 units, compares with peak Land Rover production of 58,523 achieved in 1975.

It is also in sharp contrast to the record demand at present for the company's luxury four-wheel-drive (4wd) vehicle, the Range Rover, which is to be launched in the US next month.

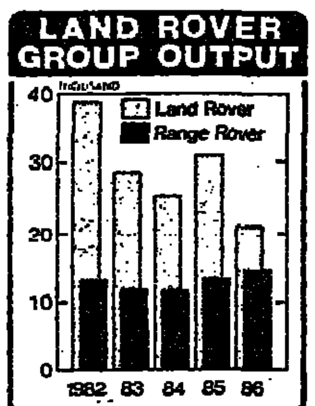
Range Rover production reached 14,494 last year, compared with 13,314 for the previous peak, reached in 1985.

The Land Rover company, part of the UK state-owned Rover Group, was the subject of takeover discussions – along with Leyland Trucks – between the Government and General Motors early last year.

But GM, which envisaged fitting Land Rover into a worldwide 4wd production and marketing network, was forced to withdraw in the face of a strident "keep Land Rover British" campaign.

Despite the output slump, Land Rover officials are adamant that it does not indicate that one of the UK's most famous vehicles, first launched 40 years ago but much developed since then, might at last be falling victim to a flood of rival new products from Japan.

The possibility of such a development has been aired with greater frequency, not because the Land Rover itself might be uncompetitive with newer rivals, but because the Japanese industry is producing many more types and sizes of light-four-wheel drive vehicles. In doing so it is fragmenting Land Rover's traditional market.



Land Rover claims that the decline is largely a result of the continuing debts problems of important markets in the Third World. This was made worse last year by plunging oil prices which undermined business in valued Opec states. It is a problem being shared equally by the Japanese 4wd producers, Land Rover executives insist.

Unofficial figures circulating in the industry support Land Rover's contention.

They indicate that Japanese shipments of utility 4wd vehicles to Africa, the Middle East and main Far Eastern markets were down by just under 40 per cent last year compared with 1985.

While no figures are available for the last quarter of 1986, the industry figures show shipments of Toyota's Landcruiser totalling around 41,000 in the first nine months of last year, compared with 105,000 in all of 1985; shipments of 7,400 Nissan Patrols (14,000) and 9,600 Mitsubishi Pejeiros (19,000).

Land Rover has still fared worse than most of its Japanese rivals, however. It exported 10,000 vehicles to these markets in full-year 1986, compared with 20,000 a year earlier. But it has held its unit sales in the UK and on the European continent at around 10,500 units.

The Range Rover had both record sales and production last year. The UK remained the best single market with sales of 4,226 vehicles up 25 per cent on 1985. Sales to Continental Europe reached a record 7,789 units, up 46 per cent. A turbo-diesel model launched only last spring accounted for one third of the sales.

Land Rover hopes to achieve 3,000 Range Rover sales a year in the US, where 900 dealers applied for the franchise, although only 36 have been appointed as an initial network, with a further 30 to be added by the end of this year.

Despite the drop in Land Rover demand, the higher sales and per-unit value of the Range Rover is expected to have left the company's revenue from the two vehicles' sales unchanged at around £400m last year.

Strict comparisons with 1985 cannot be made, as Freight Rover, the vans subsidiary, was removed from Land Rover in the middle of last year.

Land Rover and Freight Rover combined made an operating profit of £10m in 1985, and a first-half profit of £8m in the year just ended. The full year figures are expected to show an operating profit of about £16m.

Japanese bank signs £2m City tenancy

By Paul Cheeseright, Property Correspondent

THE BIGGEST property development ever directly undertaken by a British property unit trust has been let to Japan's biggest bank. But the office block in the City of London has not yet been constructed.

Lazard Property Unit Trust announced that it would be charging Dai-Ichi Kangyo Bank more than £2m a year for the tenancy of an office building just north of London Bridge on the edge of the financial core of the City.

An existing building, once occupied by the Moscow Narodny Bank, is being pulled down to make way for a new seven storey block, with 57,000 square feet of office space. It is due for completion by the summer of next year.

Pressure on space in the City of London has led increasingly to offices being let before they exist. At the same time, the letting to Dai-Ichi Kangyo underlines the growing interest of Japanese institutions in the City.

Nomura Securities, for example, has bought a property in the west of the City being developed by Glengate and Kumagai Gumi, again before it has been completed.

The rent Dai-Ichi Kangyo will pay Lazard Property Unit Trust works out at over £37 a square foot, the top end of the range for properties in the London Bridge area. The figure was worked out during the six months of negotiations between the trust and De Groot Collis, the agents acting for Dai-Ichi Kangyo. The property has never been on the open market.

Lazard Property Unit Trust has a portfolio worth £174m. It is an investment vehicle for tax-exempt investors such as pension funds. Property unit trusts mainly finance the developments of other companies, but Lazard has branched out into direct investment on its account.

It has held the site and building by London Bridge since the early 1970s. Once the new building has been completed it will have an investment value of around £35m.

Construction begins on Docklands office towers

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

CONSTRUCTION WORK can at last begin on the infrastructure for the £3bn Canary Wharf scheme in London's Docklands, the 12.4m sq ft project which its developers claim to be the largest single office development yet planned.

The project – which is intended to give London the highest office towers between New York and Tokyo – was delayed while the Canary Wharf Development Company waited for the final planning and legislative hurdle to be cleared.

The developers – a consortium of banks including Credit Suisse First Boston, Morgan Stanley International and First Boston International with the Travelstead property group – could not go ahead with their scheme until the royal assent had been given to the bill permitting an extension of the Docklands Light Railway into the heart of the City of London.

When this was finally granted at the end of December, the developers at last knew that the project had a chance of success. It would be possible to travel in 10 minutes to the Bank of England from their planned offices, shops, wine bars and dealing rooms on the Isle of Dogs, two miles east of the City.

Other hurdles remain, such as the question of road access. The difficulty for Canary Wharf Development is that apart from the sponsors, no big financial institution has so far been prepared to take the large amount of space needed to make the project financially secure. Negotiations with prospective tenants continue.

Despite these factors, Canary Wharf Contractors – a joint venture set up by Taylor Woodrow, Costain, Laing, John Mowlem and Sir Robert McAlpine, with Bechtel as overall construction manager – have been at work preparing the 71-acre site by the Thames since last June.

They are now gearing up for a project which they hope will offer them as much work as building the Channel Tunnel and provide 7,000 construction jobs.

They have finished clearing the old warehouses, gravel workings and rubble that covered the site. They have also stripped out a dozen dockside cranes, one of which is to be cleaned and restored to await its reincarnation as a sculpture in the heart of the development's plaza, a public space larger than Trafalgar Square.

Now that the site is prepared, test piling is under way. The piling for the access roads, the area around the Docklands Light Railway and for the raised platforms for the buildings and open spaces will begin next month.

Although this infrastuctural work is under way, it has yet to be decided which will be the first building on the site. Plans for the first buildings, and the identity of their architects, are expected to be announced soon. The master building agreement, which will set out the final terms of the development and contracting arrangements, should be signed in the next few weeks.

Canary Wharf is the brainchild of Mr G. Ware Travelstead, a US developer who wants to have a spectacular project to his name

Brussels starts inquiry on nitrates

By Max Wilkinson

THE EUROPEAN Commission has opened a formal procedure against the British Government to investigate complaints that nitrate in UK drinking water exceeds the permitted limit.

Mr Ludvig Kraemer, official in the commission's directorate for the environment, consumer protection and nuclear safety, said yesterday that the proceedings were at a preliminary stage.

Officials would have to investigate whether there was substance behind the complaints before a decision was taken on whether to take further action.

The complaints, from Friends of the Earth, the environmental body and others, related to a recent EEC directive that nitrate in drinking water should be less than 50 milligrams per litre.

Friends of the Earth claims that the UK Government is not measuring the amount of nitrate in drinking water accurately, and that even according to Government figures the nitrate limit is exceeded in drinking water for nearly 1m people.

However, a spokesman for the UK Department of Environment said nitrate in water supplied by all public water companies was below the 50 milligram limit. All drinking water in the UK contained less than the 100 milligrams per litre which public health officials considered a safe limit.

Some smaller water supplies, such as country wells, contained more nitrate than the lower limit set by the EEC, but special exemptions from the directive had been granted in these cases.

Excessive nitrate levels in water are said to be linked to cancer of the stomach, but the spokesman said nitrate in UK drinking water was well below levels which could cause harm.

In a letter to Friends of the Earth, Mr Kraemer said the commission has received other complaints on the subject and "decided to start formal procedure under Article 169 against the United Kingdom."

TSB accuses staff of breaking rules on share flotation

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE TRUSTEE Savings Bank (TSB) has suspended or dismissed 20 of its employees for breaking rules set for the flotation of the group last September.

The action comes at a time when the Fraud Squad is also investigating 40 to 50 suspected cases of multiple applications by outside investors for shares in the £1.5bn group.

A TSB spokesman would not say last night precisely what actions were being alleged against the employees. However, he said they involved breaches of the TSB's house rules or contraventions of the regulations contained in the TSB's Offer For Sale document. Some of the employees involved are believed to be at branch manager level.

The TSB has detailed house rules on financial conduct by the bank's 30,000 employees, and breaches can be punished by dismissal. Last year's sale document contained a prominent warning that people making multiple applications for shares would be liable to criminal proceedings.

Special arrangements were made during the sale to ensure that TSB employees had priority in the allocation of shares, which attracted a record number of 5m applications. Each TSB employee was entitled to 150 free shares, and could apply for up to 10,000 more at the offer price using priority application forms.

In addition, employees were allowed to send in one public applications form. All applications had to be in their own name.

The shares were priced at 50p, but when trading started they rose almost instantly to more than 100p, enabling initial investors to double their money if they sold quickly.

The TSB said that its inquiries were continuing, and the Fraud Squad had questioned some of the employees involved. The question of what, if any, disciplinary action should be taken in the case of employees who have been suspended is still being considered.

The revelation by the TSB that 40–50 cases of suspected multiple applications by members of the public are now being investigated enlarges on a statement last week by Sir John Read, chairman. He put the figure at "over 30."

Call for bank audit watchdogs

By David Lascelles, Banking Correspondent

THE BANK of England is to encourage UK banks to set up audit committees – special watchdogs to monitor management's performance and controls.

In a consultative paper circulated yesterday the Bank says that audit committees can ensure that banks are more effectively and responsibly run. The Bank wants all banks above a certain size – which has yet to be decided – to have audit committees.

These committees would be appointed by the bank's boards and would consist of non-executive directors. Their terms of reference would be to:

- Examine management controls.
- Review statutory accounts.
- Monitor the bank's relations with its external auditors.
- Review compliance arrangements.
- Consider whether an internal audit department is needed.

The Bank's paper reflects its long-held view that non-executive directors have a useful role to play in the management of publicly-owned companies because they bring outsiders on to company boards.

Although there is no legislation requiring UK companies to have audit committees, various Bills and government papers have spoken of the need for non-executive directors. In the US, an audit committee is a condition of listing on the New York Stock Exchange.

The Bank is also expected shortly to propose a code of practice under which UK company boards should comprise at least one third non-executive directors.

Air fares war starts on Amsterdam route

BY LAURA RAUN IN AMSTERDAM

A new round of price cuts has broken out in the air fare war between Amsterdam and London.

KLM Royal Dutch airlines and British Caledonian have both retorted to a 21 per cent cut in an air fare offered by Transavia, an airline owned by the Dutch shipping group NedLloyd which last year launched a service to London with deep discounts.

Last week Transavia announced it would offer a round trip tourist fare without conditions of Fl 496 (£160) between Amsterdam and London (Gatwick) beginning on February 15, down from Fl 626. It also plans to add a fourth flight per day.

Now British Caledonian also plans to sell a round trip tourist ticket for the same price, while KLM, the Dutch flag carrier, will offer two tickets for the price of one Fl 499 ticket. The new discounts apply only to service between Amsterdam and Gatwick and not to London's Heathrow airport.

The latest round in the air-fare war follows a similar one last October when Transavia, formerly a charter airline, began scheduled service to London by slashing fares 50 per cent to Fl 313 roundtrip. KLM followed suit on its Amsterdam-Gatwick route but all the discounts ended on December 31 1986.

In the three years since the Netherlands and the UK signed a bilateral "open skies" treaty, the number of airlines has soared and competition has stiffened considerably. A total of seven airlines now fly between Amsterdam and London and sereval more are waiting in the wings.

British Airways has ignored the price war by arguing that it flies to Heathrow and no one is trimming those fares. British Midland is sticking with its successful formula of undercutting business-class competitors with fares that are 15 per cent to 30 per cent cheaper.

Westland presses for helicopters decision

BY DAVID BUCHAN

THE Ministry of Defence said yesterday it would make a decision in the next few weeks on future orders for troop-carrying support helicopters, it gave no indication of which way that decision would go.

The MoD is facing pressure from Westland, the helicopter manufacturer, to place early orders to tide the company, based at Yeovil in the west of England, over a barren two years in its order book, from 1988 to 1990, before it starts production of the Anglo-Italian EH 101 helicopter.

At issue is the replacement of the Wessex and Puma light support helicopters, which have been in service since the mid-1950s and mid-1960s respectively. Westland wants this replacement made as soon as possible, but the MoD has taken several years to consider its requirements and is only now coming to a conclusion.

The options now under study cover the utility version of the EH 101, the Sikorsky-designed Black Hawk, and the Lynx – all of which are, or will be, made by Westland.

Sealink may sell harbour to leisure group

By Our Industrial Staff

SEALINK UK, the ferry and ports subsidiary of Sea Containers, said yesterday that it was considering an offer for its Folkestone Harbour operation from Brent Walker, the leisure group.

Mr James Sherwood, president of Sea Containers, is expected to meet Mr George Walker, chairman of Brent Walker, this week to complete negotiations.

Brent Walker is believed to have offered more than £11m for Folkestone. It was not clear, however, whether this included the two ferries operated by Sealink to Boulogne.

Neither company would comment on suggestions that the harbour would be redeveloped as a marina, or that the two ships could be refurbished to operate as floating superstores for shoppers.

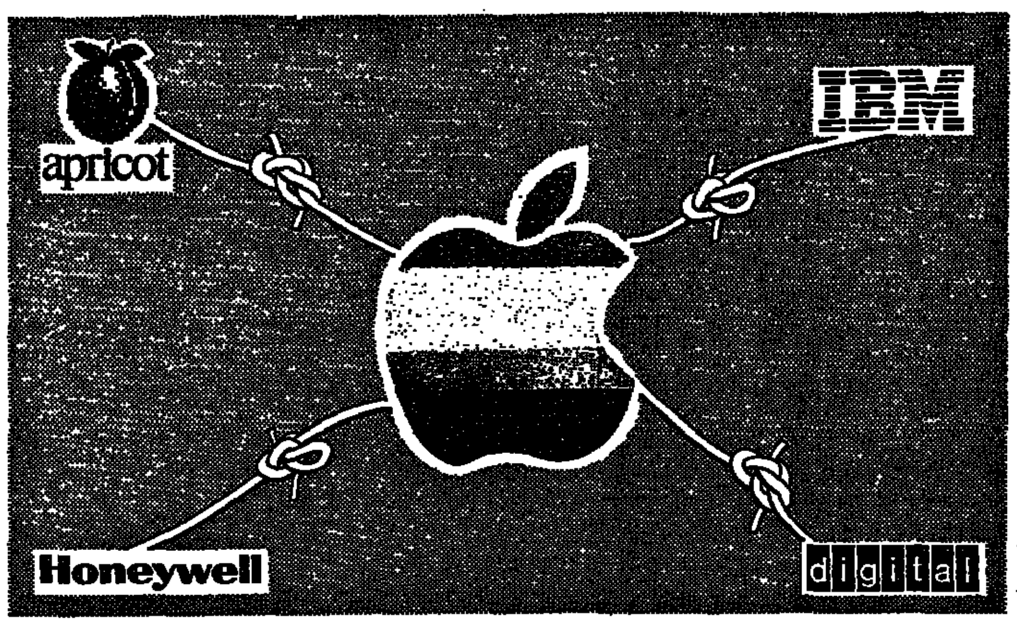
Sealink is known to have made substantial losses on its Folkestone operation since the company was sold to Sea Containers for £66m in 1984.

Analysts said the disposal of Folkestone would be a sensible move for Sealink, particularly in view of the impact of the proposed Channel Tunnel. Trade unions, which have just voted to accept a report on the future of the port drawn up by a joint working party.

TECHNOLOGY

Apple takes a bite at office versatility

Louise Kehoe in San Francisco reports as the all-conquering Macintosh moves into a wider business arena



FOR APPLE Computer, the road to success in the business personal computer market has been long and bumpy. More than once the company has fallen flat on its face with products that failed to make the grade. But with US retail sales of the Apple Macintosh now outpacing those of any other personal computer, it seems that the company may have finally turned the corner.

The pace quickened last week when Apple unveiled a bundle of "desk-top communications" products designed to link Macintosh and other personal computers on office networks. Significantly this includes IBM's personal computers. The announcement signals the beginning of a new determined effort by Apple to boost its sales to business users.

This time Apple starts its run at the business market with some momentum behind it. Over the past year, Macintosh sales have doubled, largely on the strength of its role as part of a "desk top publishing" system. Teamed with Apple's laserwriter printer and the "Pagemaker" program published by Aldus, a California software company, the Macintosh computer becomes a desk top typesetting system that enables an amateur to produce professional looking brochures, reports and newsletters.

"A year ago when we started talking about desk top publishing, most people thought it would be, at best, a very small niche market," remarks John Sculley, Apple chairman and chief executive. "Now it has exploded." According to industry researchers, Apple sold 50,000 Macintosh publishing systems last year and holds a strong lead in the new market sector, although competition is mounting.

Now Apple aims to repeat its successful "solution selling" strategy in other business application areas—first "desk top communications" and then "desk top engineering." With its new communications products, Apple is attempting to provide a solution to the problem that virtually every personal computer manufacturer and user is battling with—how best to connect dozens of personal computers, minicomputers and mainframes on a network.

Apple's solution is to create Macintosh "workgroup" networks that can be bridged to larger, higher performance networks through what it calls "network gateways." As in all of its products, Apple stresses ease-of-use. "If you know how to use a Macintosh, you know how to use Appleshare," says Peter Friedman, Apple's marketing manager for desk top communications.

Now the company has added some important pieces to its networking solution. "Appleshare" is a $799 file-server program that controls a network of up to 25 personal computers—performing the data sharing chores, controlling access, and constantly updating information for every user. Appleshare runs on a dedicated Macintosh computer with a hard disc drive that becomes, in effect, the network controller.

Along with Appleshare, Apple last week unveiled its long promised solution to the problem of how to share information between Apple and IBM personal computers. The company is offering a plug-in circuit board for IBM personal computers that lets the PCs access Apple's laserwriter printer and share information on the Apple network. Apple is also going to give Macintosh owners a free program that translates IBM word processing files into Macintosh files.

Compared to most computer networks, Apple's is unsophisticated. It does not have the broad capacity or speed of, for example, an Ethernet. Still, Appleshare is useful, relatively inexpensive, and, perhaps most importantly, easy to use. "Apple is taking absolutely the right approach," says Dave Carnivale, an industry analyst with Infocorp.

Next on the agenda for Apple's business marketing plan will be a new version of the Macintosh. In March Apple is expected to unveil the "Open Mac," a souped up version of the Macintosh.

Built around a Motorola 32-bit microprocessor, the new Macintosh will outperform IBM's anticipated 32-bit personal computer, Apple claims. Unlike current versions of the Macintosh, the "Open Mac" will literally open up to allow users to add non-standard functions such as enhanced graphics, more memory and significantly the ability to run IBM-PC programs.

And with a more powerful version of Macintosh in place, Apple is expected to begin its efforts to crack the engineering market with a "desk top engineering" marketing campaign. Engineering applications would call for a large colour display, which Apple is said to have in the works.

After two years, the Apple Macintosh is finally being taken seriously as a business personal computer, but Apple still faces an uphill struggle. According to the latest market research estimates, Apple holds just a 7 per cent share of the US corporate personal computer market, compared to IBM's 33 per cent share. The rest is taken up by "clones" of IBM's PCs.

Superchip shows South Korea's ability to innovate

BY MAGGIE FORD IN SEOUL

A SOUTH KOREAN semiconductor manufacturer has made a significant advance in microchip technology, suggesting that the country is developing beyond its previous ability to copy US and Japanese products and sell them at a competitive price.

The company, Goldstar Semiconductors, has designed a new version of the 256 SRAM (static random access memory) chip which works at twice the speed of its main competitors, made by Toshiba and Hitachi of Japan. The chip will have mainly military and industrial uses.

Goldstar's chip delivers a 45-70 nanosecond (billionth of a second) access time, against 85-150 nanoseconds for the Hitachi product and 100-120 nanoseconds for the Toshiba chip. It is also smaller than its rivals. Compared with 56.43 sq mm for a version from Motorola of the US and 56.2 sq mm for the Toshiba SRAM, Goldstar's 256K measures only 46.55 sq mm.

Executives of the South Korean company believe the market for fast 256K SRAM chips is likely to grow to as much as $420m by the end of this decade. They are aiming at a market share of $87m over the next two years for their product, which will be commercially available in the second half of this year.

Computer engineers are of the opinion that the faster access time will give SRAM chips more appeal than DRAM (dynamic random access memory) semiconductors. The static variety stores its data within the chip, without needing to be reprogrammed continuously. Fast SRAMs are particularly suitable for weaponry and telecommunications equipment.

Goldstar expects especially strong growth for its product in the military market. Fast chips are priced in the $70 to $100 range.

Mitsubishi and Fujitsu of Japan are believed to be sampling (testing production prototypes) 256K SRAMs with access times in the 55-70 nanosecond range.

Inmos of the UK, like other SRAM manufacturers, has a 64K, 40 nanosecond access time part; it is confidently predicting that it will release a 256K, 25 nanosecond access time sample within a few months.

Preserving a way to keep historians in the picture

THIS YEAR is the centenary of the publication of Animal Locomotion, a book of photographs in which an Englishman—Eadweard Muybridge—established a claim as one of the progenitors of cinematography. His famous photographic sequence of a galloping horse laid the foundations for true cinematography, refined as a projection process by the French Lumière brothers and shown publicly in 1895.

One of the largest historical film collections in the world, Britain's National Film Archive, retains two original 1895 films by Lumière—along with 87,000 other titles, and more contemporaneously some 15,000 television programmes.

With almost a century of social activity recorded, motion pictures are thus becoming important historical documents. In the UK alone, organisations such as the British Universities Film and Video Council and the Inter University History Film Consortium have helped to focus attention on the value of these astonishing resources of information.

The BUFVC's book Researcher's Guide to Film and Television Collections, for example, lists and details film collections as varied and specialised as the East Anglian Film Archive (agricultural and local life) and the Tramway Museum collection in Matlock (earliest film 1896). It also includes private collections like that of Alan Pateman, which takes in rare footage from many countries including pre-war Egypt and China in the 1920s.

The problems associated with the preservation and historical analysis of photographs and films—even videotapes—are nonetheless of much concern for historians. Nitrate film, on which the early movies were shot, is liable to disintegrate in only 50 years; still photographs on paper may have an equally limited life span if the original fixing and washing, after developing, was inadequate; and even videotapes are prone to deterioration—as much due to physical mishandling as organic decay.

The film archives of the world are guardians of a unique heritage in their countries, and over 60 belong to the International Federation of Film Archives. Yet some, such as the National Film Archive in Britain, have a race against time to transfer decaying nitrate films on to more stable cellulose acetate stocks. The NFA still has 140,000 reels of nitrate stored in special vaults (it is highly inflammable material), with hopes—money permitting—of completing the transference job by the year 2000 when reels from the 1950s could become unusable.

Additional problems include colour fading. Most of the dyes used in colour films are liable to be unstable—as witness some older colour movies now screened on television, in which flesh tones often look yellow, beige or sickly white.

Kodak has been in the forefront of research and education in the preservation of photographic materials, and newer

FILM AND VIDEO

by John Chittock

colour stocks are less susceptible to fading. But some idea of the complexities in storage and preservation can be gleaned by the titles of some of the reference books published by Kodak—The Book of Film Care (motion pictures) covers all manner of unexpected problems such as shrinkage (which alters the pitch of the sprocket holes); Conservation of Photographs is a handbook for collectors; and Care and Identification of 19th Century Photographic Prints offers all manner of guidance, not least in recognising whether a print is a Daguerrotype, Ambrotype or Collotype (the difference is worth a great deal in the auction room).

Less recognised as a problem, however, is the identification of genuine events in film footage alongside re-enacted events. Film-makers have not always been scrupulous in their presentation of "reality." In 1901, J. Williamson filmed the Boxer rising—but in his own garden in England. The French film-maker Georges Méliès filmed the Coronation of Edward VII in 1902, very impressively, but in fact in Paris with actors.

Reconstructions assume greater seriousness when mixed in with genuine factual material, as happened in the famous US magazine series, The March of Time. Although, as in this case, such reconstructions may be done without the intention of deceiving, they pose a problem for future historians who may not be able to sort out fact from fiction. One March of Time episode about the re-election campaign of New York's Mayor, La Guardia, re-enacted scenes with La Guardia and Thomas Dewey playing themselves.

The archivists are sufficiently worried about such practices, increasingly common in television documentaries, to be considering that material supplied by them and known not to be genuine should carry a small coded symbol, visible to viewers.

There are many other facets to film of interest to historians, not least in analysing material to uncover new information about people or events by scrutinising film records—even frame-by-frame. One classic example of this is remarkable footage of Hitler and Goebells at a rally in Berlin in 1933. The speeches of both exist as an almost straight, sound-film record of the event—virtually free of the usual cuts and interpretative controls of the film editor.

Dr K. F. Reimers at Gottingen Film Institute has studied this exhaustively with colleagues—including a psychologist—to discover new insights about Hitler, Goebells and the rise of the Nazis. It makes fascinating viewing, showing for example Hitler's mannerisms and the reactions of his supporters without the creative diversions seen in so many war films.

A new area of film as history is emerging which economists and industrialists should find fascinating if not invaluable. The National Film Archive in Britain has started to acquire the earlier film collections of commercial organisations such as Dunlop and Midland Bank. These can reveal not only professed policies, but also the unconscious truths which every film enshrines.

If City analysts can reckon to assess a company's future from its balance sheets, why not also bring the corporate psyche of the past into the equation—based on a detailed scrutiny of the films the company sponsored?

MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

Ethnic businesses in the UK

Where trading history helps

Charles Batchelor on efforts to boost Asian and Afro- Caribbean entrepreneurialism

GLORIA BLACKBURN had £1,700 in her account when her bank manager of five years turned down her request for a letter of credit for £2,000 needed for her newly-formed wine importing business in Croydon. "My account would have been balanced within a matter of days," says Blackburn. "Being black does not help you in anything you do. I faced a continuous obstacle course in raising finance."

Paul Sood took a sizeable severance payment with him when he was made redundant from his engineering job with GEC, the UK electronics group, but still ran into trouble in raising additional finance for the insurance broking business he decided to set up.

"The banks wanted this security and that and couldn't make a quick decision," says Leicester-based Sood. "The banks have not learned that they must change their policy—not to treat Asians and the other minorities more favourably than whites but to treat them just the same."

Finance almost certainly heads the list of challengers facing any small business. For Britain's ethnic minorities the problem is magnified by what they believe, rightly or wrongly, to be discrimination by the banking community.

"There is a stereotype of black people," says Beverley Bernard, co-ordinator of the minorities programme run by Business in the Community, the umbrella organisation for Britain's enterprise agencies.

"They are seen as work shy, not entrepreneurial. A few years ago they were turned down because they did not have a business plan. Now they go in with a plan but are told the product is wrong or the area is wrong."

The bank managers' response—according to a survey of ethnic small businesses in the London Borough of Brent—was that Afro-Caribbean businessmen lacked management skills or were too dependent on the ethnic market. But even though the survey showed a favourable attitude towards Asians, many businessmen from this community also have their tales of woe.

There are nevertheless clear signs that—despite their difficulties—Asians appear to be overcoming the problems facing the small businessman. Many of them built up substantial business experience in East Africa before coming to Britain.

Since it lacks this trading background, the Afro-Caribbean community still has a long way to go, though it too is making great efforts to improve its position.

Department of Employment figures published last month showed that while 14 per cent of the white population was self-employed only 8.5 per cent of Afro-Caribbeans were their own boss. By comparison about 22 per cent of Asians worked for themselves.

But these figures must be set against a background of an unemployment rate of 20 per cent among all minorities, double the rate for whites. And even the high level of Asian self-employment was questioned in a 1982 study which concluded that much Asian business — particularly retailing — represented a waste of capital, talent and energy in an unrewarding sector of the economy.

> The banks have not yet learned that they must change their policy—not to treat Asians and other minorities more favourably than whites but to treat them just the same

Some of the problems facing would-be businessmen from the ethnic minorities have been around for a very long time. But others are now beginning to emerge as successful small businesses start to expand and as the markets in which they are operating mature.

● Presentation: People with good ideas are not necessarily articulate or patient which can lead to difficulties when dealing with bank managers and the aid agencies, says Bunny Barnett, founder of the Paul Bogle Foundation, which advises and trains potential businessmen from the black community, and was named after a 19th century Jamaican leader who led a bloodless revolution against the authorities.

Even qualified and experienced businessmen from the Asian community who came to Britain from East Africa in the early 1970s often need help in presenting their plans, says Uday Dholakia, an adviser with Leicester City's business development unit.

● Location: The ethnic minorities are no different from the white majority in the problems they face finding suitable small business premises. But the concentration in the inner cities, where crime rates are high, means insurance premiums become a major outlay.

The concentration in the inner city also means ethnic businesses have to find their customers among the less well-off. "If you are based in a declining area where incomes are low it is hard to make profits," says Joe Greenland, head of the enterprise agency in Deptford, South London.

Even success brings its problems. Many of the businesses, particularly those set up by Asian immigrants from East Africa, are now reaching a stage at which outside management skills are required if they are to grow further.

● Delegation: "The founders of these businesses now face the problem of delegation," says Dholakia. "They grow by exploiting the energies of the family. How do they employ and control a professional manager?"

Being able to draw on the educated second generation does not always solve this problem. The son frequently comes in with new ideas for marketing or finance but the father cannot see the logic of changing systems which worked well in the past.

● Diversification: The successful ethnic businesses are now being forced to consider diversifying out of their traditional areas—both because of competition from members of their own community and, increasingly, from indigenous businesses.

Ethnic foods, hair care products and cosmetics have been a success story for many minority-run businesses but the large retail chains such as Sainsburys and Boots are now moving into these markets.

But despite the problems, efforts are being made by the Government, the local authorities, the private sector and the ethnic communities themselves.

Britain's 15,000 strong Ismaili Moslem community—followers of the Aga Khan—is unusual even by Asian standards for its degree of organisation. The community set up thre enterprise agencies—two in Canada, one in London—after being displaced from East Africa in the early 1970s.

"We knew as a minority we would have a problem establishing a track record," says Sadrudin Akbarali, head of the Ismaili business information centre. "His Highness the Aga Khan said we must make ourselves bankable."

Over the past 10 years the centre has helped 700 families (a fifth of the 3,500 total in the community) set themselves up in business. It advised its members initially to go into the retail and services sector, where relatively little capital was needed, and established a loan guarantee programme with Lloyds Bank.

The Afro-Caribbean community too has been working hard to establish the "network" that has served the Asians so well.

Work has been going on for some time to establish an Afro-Caribbean Bank, now renamed First Partnership Bank, and extended t o include all the ethnic minorities.

Progress has slowed in recent months however and while pledges of support have been made the idea has yet to take on concrete form.

Efforts are also being made to launch a venture capital fund for ethnic businesses. The fund, entitled the Paul Bogle Development Fund, aims to raise £1m from City investors to be used in £20,000-£100,000 bites to help growing businesses and in smaller amounts to help start-ups.

Another Paul Bogle project aimed at establishing an Afro-Caribbean network is "Wealth," a glossy black business magazine launched last August.

The government and the private sector have also been busy. The past 18 months have seen the establishment of three new enterprise agencies — in Deptford, Finsbury Park in North London and in Birmingham. All are in deprived areas with large minority populations.

They form part of the network of more than 300 enterprise agencies set up around the country and funded by the private sector. Unusually the Home Office provided a £50,000 annual grant to run each at these three agencies.

The local authorities themselves are also active. Hackney and Brent, both London boroughs with large ethnic minorities, have established small departments which provide advice, funding and premises for small ethnic businesses.

John Hyatt, Business in the Community's London regional director, believes these initiatives are starting to have an effect. "There is a change taking place because this government takes business and self-employment very seriously. More horse-power is going into the enterprise agencies and the banks are beginning to respond to pressure to take more risks."

But he tempers this enthusiasm with criticism of the patchwork nature of the programmes. "What is lacking is a co-ordinated and cohesive policy towards providing start-up capital, premises and quality advice to black people," he says.

Hyatt and others in the ethnic business sector are also critical of the short-term approach adopted by the authorities.

Leicester's Uday Dholakia has just returned from a study trip to the US where, he says, he was impressed by the professionalism of the American approach to minority business.

"Funding in the UK tends to be short term," he says. "Business agencies are funded for two or three years but a good adviser won't join for such a short period. These are still short-term experiments with no clear aims and obectives."

Deptford Enterprise Agency, director Joe Greenland, tel 01-692 9204.
North London Business Development Agency (Finsbury Park), director Winston Collymore, tel 01-359 7405.
Black Business in Birmingham, director Kofi Adjei, tel 021-236 9404.
Paul Bogle Foundation, director Bunny Barnett, tel 01-267 6476
Leicester City Business Development Unit, 0533 554464
Ismaili Business Information Centre, 01-225 0363.

Clockwise from top left: Sadrudin Akbarali, Bunny Barnett, Paul Sood and Kofi Adjei

Low-down on small business life-style

BY CHARLES BATCHELOR

WORKING FOR yourself is often very hard work but the consequences in terms of health and the incidence of marriage breakdown are less marked than is often assumed, according to a survey just published.

The three authors of Small Business Owners and the Self-Employed in Britain* claim to have made an important breakthrough in the provision of information on the country's small business sector.

They believe their report will help destroy the two most common stereotypes of small businesses in Britain — of the back-street engineering workshop and the small retail store — and possibly prompt a change in government policies.

"A lot of government policies have in mind these stereotypes," says Dr James Curran, head of the survey team. "Many of the small business policies introduced since 1979 have discriminated against service businesses because they have been aimed at manufacturing. Yet less than one in five small businesses involves manufacture and many service businesses are not shops."

Government support also tends to go to businesses which employ more than one person in spite of the fact that most businesses are one-person operators. A generally-held view is that one reason for this could be the complexity of employment legislation, but detailed statistics are lacking.

Based on the General Household Survey, an annual in-depth survey of some 12,000 households or 31,000 individuals, the small business survey looks more closely at more than 600 self-employed non-professional workers and nearly 300 people employing up to 24 workers. This is the first time the household survey data has been used in this way.

It reveals that men who work for themselves work long hours — more than half worked for more than 50 hours a week — though women were more likely to be part-time enterprise owners, working fewer than 20 hours.

People who work for themselves are likely to report that their health is good although self-employed women were more likely to report poor health than either their male counterparts or employees generally. People's assessment of their own health are notoriously subjective however, the researchers noted.

Running your own small business is reputed to put a strain on marriage but the survey offers little support for this. Few of those surveyed were divorced or separated though a large number of women were widowed and had possibly taken over the business from their late husbands. The data reveals nothing, however, about the quality of the marriages of the self-employed.

The report shows that levels of self-employment among ethnic minorities are similar to those of the population as a whole but gives no breakdown between different ethnic groups.

In education terms the owners of small businesses tend to be less well qualified than the employed population as a whole though women are marginally better educated than their male equivalents.

The survey refutes the notion that the affluent working class and the lower levels of the middle class are the main "feeder" classes to maintain the "petite bourgeoisie." Other classes are more strongly represented than previously thought, it says.

*Authors James Curran, Roger Burrows and Maria Evandrou. Available from the Small Business Research Trust, 3 Dean Trench Street, London SW1P 3HB, £10 plus p & p.

Boom in co-ops

BRITAIN'S co-operative movement is booming. The number of worker co-operatives and community businesses rose by two-thirds to 1,476 in the two years up to June 1986, according to the Co-operative Development Agency's latest directory.*

Growth in the services sector was slightly ahead of the increase in the manufacturing and wholesale/retail areas. Co-ops are estimated to employ about 14,000 people, most of whom are members of their businesses.

*The National Directory of New Co-operatives and Community Businesses. Available price £5.50 from the Co-operative Development Agency, Broadmead House, 21 Panton Street, London SW1Y 4DR.

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A private company based in Sevenoaks offers a unique opportunity to an entrepreneur who has the ideas, talent, drive and some finance to "go it alone." The company can provide office, office facilities, management support and capital participation in return for equity. Please write giving details of your proposition and indicate if a business plan is available which features profit and cash projections.

Please reply to:
THE CONTINENTAL FRUIT PACKING CO. LTD.,
87/93, High Street, Sevenoaks, Kent TN13 1LE.

Financially sound Engineering Company in Scotland

With modern, well-equipped factory in Enterprise Zone and with highly diversified skilled labour force experienced in design and manufacture of Mechanical Handling, Steelworks and oil-related equipment to BS Standard 5750 Part I and with considerable scope for expansion, seeks business relationship with Engineering Company which is looking for a reliable manufacturer. Long-term relationship desired. Would consider joint venture.

Please reply in confidence to:
Box F7108, Financial Times, 10 Cannon St, London EC4P 4BY

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International Management Services offers professional support to companies seeking to expand, contract or establish subsidiary operations in the German market. Whether your company is considering making an acquisition, merger, joint venture or disposal, we will carry your project from the research and planning stages through to final contract. In conjunction with our associates we also provide professional, legal financial and taxation advice. We guarantee a personal discreet service tailored to meet our clients' individual needs. For further details write to:
IMS Unternehmensberatung—International Management Services
5000 Cologne 41, Viktor-Schnitzler-Str. 31, W. Germany

INFORMATION PUBLISHING

One year old, but already profitable, Cambridge based company seeks investors to provide total of £150,000 (minimum investment £10,000) to facilitate further expansion. Real likelihood of very substantial capital appreciation of investment over 2 to 3 year period

Investment is BES eligible subject to status
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Exclusive Site with Planning Permission for
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Offers in excess of £600,000
Principals Only

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seeks other persons/companies similarly engaged — big or small — who would be interested in discussing merger, joint venture operation or outright sale
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10 Cannon St, London EC4P 4BY

TO MANUFACTURERS

Do you have good products at competitive prices with export potential? Write to us. We have an excellent marketing network in the Middle East, Africa and Canada.

Write Box F7123, Financial Times
10 Cannon St, London EC4P 4BY

WANTED

We are a very successful UK manufacturer of fast moving DIY and home improvement products, operating our own selling and distribution system. We have an excellent customer base in the UK and Europe. As part of our expansion plans for our home and export markets, we seek additional related products with volume potential.
Replies treated in strictest confidence

Write Box F7107, Financial Times
10 Cannon St, London EC4P 4BY

MEDICAL PRODUCTS COMPANY with unique products requires marketing partner. Write Box F7109, Financial Times, 10 Cannon Street, London EC4P 4BY.

SPANISH REPRESENTATION. British businessman 20 years residence Barcelona offers services. Write Box F7110, Financial Times, 10 Cannon Street, London EC4P 4BY.

TAX LOSS COMPANY REQUIRED

by Company dealing in
USED MACHINERY
Agents protected

Write Box H1658
Financial Times, 10 Cannon St
London EC4P 4BY

ACQUISITION/INVESTMENT WANTED

Directory or Newsletter Publisher
Data base provider, market research company or similar opportunity wanted by a substantial private investor
Expansion capital provided and/or buyout negotiated
Brokers protected

Write Box F7055, Financial Times
10 Cannon St, London EC4P 4BY

TRULY UNIQUE MEDIA VENTURE

Well established successful group requires investor to benefit from imminent launch
Detailed information available to bona fide individuals only

Write Box F7114, Financial Times
10 Cannon St, London EC4P 4BY

Company engaged in the sale of HIGH QUALITY BED LINEN

by mail order only is looking for an investment up to £100,000 to assist in opening *prime London retail outlet in* response to customer pressure

For details write to:
Box F7116, Financial Times
10 Cannon St, London EC4P 4BY

NIGERIAN FUNDS

Within new currency guidelines it is possible for UK holders of certain types of Naira deposit to derive direct benefits from their holdings.

For discussion on procedures and arrangements contact:
Kenford Engineering Ltd.,
Guildford, Surrey
Tel: (0483) 68977
Telex: 859539 LYNXIN G

VENEZUELAN DEBT

CAN ASSIST IN COLLECTION
Venezuelan Private Commercial Debt

Contact:
J. Ewing
500 N. Dearborn, Suite 916
Chicago, IL 60610, USA
Tel: 312-661-0428

ATTENTION: STOCKBROKERS!

US Company (OTC) seeks help in placing its shares. We offer substantial incentives for the right help and plan to visit London mid-February
Call: George Pollack in Los Angeles for appointment (213) 470-7764

£7.5m PROPERTY INVESTMENT PORTFOLIO FOR SALE

300,000 SQ FT SITUATED HEATHROW AREA
Large portion occupied by blue chip tenants
Considerable development potential
Current rental income £850,000 pa, rising to in excess of £950,000 by December 31 1987
Possibility of existing mortgages being transferred to purchaser
Quoted shares accepted in exchange

Write Box F7122, Financial Times
10 Cannon Street, London EC4P 4BY

REQUIRED £1 MILLION PLUS

Working capital for Property Development Company utilising advanced but proven building technology resulting in wider profit margins.
Will also consider Joint Ventures with other developers.

In the first instance please reply to:
R. H. Edwardes Jones, ARICS
2 Duke Street
London W1M 5AA

LONG ESTABLISHED MARKET LEADER

UK based company, part of international group, marketing chemicals and application plant with respected trade marks/outlets in the building/specifier field is interested in entering into discussions with company producing speciality protective surface coatings or treatments, who wishes to develop increased market potential

Write Box F7115, Financial Times, 10 Cannon St, London EC4P 4BY

INVESTMENT REQUIRED
BUY BACK ARRANGEMENT

Garment manufacturer supplying leading department stores and Government organisations seeks equity investors to continue expansion of business. The turnover in the first year of trading reached £250,000 and any investment could provide a potentially substantial return.

For further details please write to:
FARBELL LIMITED
1st Floor, 407 Hornsey Road, Islington, London N19
Minimum investment of £5,000

New Product Development

Due to termination of a substantial contract we have surplus development capacity for microprocessor application, computer software and electronic system development
If you have requirement for either new product development or improvement please contact us for a confidential discussion. We are prepared to carry out selected programmes of work on a risk sharing basis

CONTACT BOX F7120, FINANCIAL TIMES
10 CANNON STREET, LONDON EC4P 4BY
OR TELEPHONE: 0487 830226

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Tel: (22) 36 6601 - Telex: 289767 TRAN CH

UNIQUE OPPORTUNITY

For persons with golf marketing connections in the areas of USA, Japan, Australia, Europe, to market exciting new golf device
If interested please contact:
HYMEC LTD. CAMBERLEY
Tel: (0276) 29121/2 - Telex: 858826

A WASTE OF TIME!

Your's not ours — to carry on *investing in overheads when we* can supply completely finished, cast, machined-fabricated and assembled components or products
Write: Chairman
Box F7119, Financial Times
10 Cannon St, London EC4P 4BY

BUILDING PRODUCTS

Established small company Watford area supplying waterproof and protective coatings wishes to
MERGE OR SELL
Premises are shortly to be sold
Write Box F7101, Financial Times
10 Cannon St, London EC4P 4BY

BUSINESS AND ASSETS OF SOLVENT AND INSOLVENT COMPANIES FOR SALE

Business and Assets
(REC)
Tel: 437 3036

SMALL COMPANY WITH SPARE CAPACITY AND SPACE

Wishes to diversify and utilise existing national network of sales and service to a greater extent of efficiency.
Write Box F7112, Financial Times
10 Cannon St, London EC4P 4BY

100% I.B.A.

SOUTH EAST
£120k - £2.4m
Write Box F7061
Financial Times
10 Cannon St, London EC4P 4BY

UNLIMITED INTEREST POTENTIAL

Defer payment of tax on profits by additional 11 months. Pre 1965 company for sale. Easily transferred trade. Only companies with substantial profit need apply.
Write Box F7104, Financial Times
10 Cannon St, London EC4P 4BY

EXPORT COMMISSIONS on business resulting from introductions.—Active UK Trading Co. Tel: 01-422 5577.

BUYING OR SELLING A BUSINESS? Require equity funds? Gerhoff Bentley Ltd. Telephone 01-748 9020.

COMMERCIAL & INDUSTRIAL MORTGAGES AVAILABLE

TEL: 01-546 8857
Finance Brokers:
MAYBURY & COMPANY
16a St James's Street
London SW1

BUSINESSMAN WITH CAPITAL

seeks to invest as WORKING DIRECTOR
in profitable and exciting business
Write Box F7118, Financial Times
10 Cannon St, London EC4P 4BY

INVESTMENT PROPERTY

PLC prepared to sell 19th century mansion house, 3 miles from Manchester centre. Outline planning permission already granted for old people's home, but also suitable for use as hotel, health club, restaurant, offices, etc. Offers in the region of £200,000.
Details on request from:
Blackspur PLC, 35 Broughton Street
Manchester M8 8LZ
Tel: 061-832 3361 Fax: 061-832 7926
Telex: 666248 BLASPR G

USA

FORTUNE 500 CONSULTANT
30 years' experience
attractive terms
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8 York Road, Larchmont
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RESCUE, RECOVERY, REDEVELOPMENT

Specialist professional team with 20 years commercial experience and *with successful assignments in* business turnround and acquisition strategy seek tasks requiring general management, finance, marketing or production skills.
Write Box F7111, Financial Times
10 Cannon St, London EC4P 4BY

WHOLESALE/RETAIL

Well established family business with own freehold property is expanding in 1987 and is looking for an additional partner to inject £20,000 for further rapid growth. Directorship and shares option considered
Apply Box F7106, Financial Times
10 Cannon St, London EC4P 4BY

GO WITH A MICRO-ENGINE TUNER

New product fully developed
UK patent application. Proven reliability after extensive field trials. Will negotiate for manufacture/marketing
Principals Only
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10 Cannon St, London EC4P 4BY

Research breakthrough in Recovery

Shareholders of high tech company *in politically sensitive country* offer 24% of equity for £1m
Other valuable assets include further technology, patents and projects
UK Contact Tel: 01-636 2777

Office Equipment

EXECUTIVE ITALIAN OFFICE FURNITURE

Collection of high quality executive and operational ranges finished in natural selected veneers; Rosewood, Walnut, Black Ash, Light Oak, including configurations of systems furniture. In bi-laminate *finishes and light oak veneer.*
Substantial discounts, immediate free delivery and installation
Full details tel: 0992 500567

Businesses For Sale

Dartington Hall Tweeds Limited

In Receivership

Manufacturers of this marque with an international reputation for quality. The business and assets of the company are offered for sale by the joint administrative receivers.

* *Pure woollen tweed upholstery cloth*
* *Business established over 40 years*
* *Highly reputable customer base*
* *Retail shop in the tourist centre of Dartlington, Devon selling clothing etc*
* *2 Leasehold factory premises in Dartlington*
* *Turnover £500,000 pa*
* *12 employees*

C&L
Cork Gully

All enquiries should be addressed to:
C. J. Barlow, FCA
Joint Administrative Receiver
CORK GULLY
23 Princess Street
Plymouth
PL1 2HE
Telephone: (0752) 665888
Telex: 45788

DESIGN & MARKETING CONSULTANTS

The business and assets of a Dundee based Design Consultancy are offered for sale as a going concern by the Receiver.

* Turnover approximately £300,000 per annum
* Enterprise Zone, modern leased premises
* Quality customer base
* Substantial order book

For further information contact J. R. Y. Dickson.

Touche Ross
15 Melville Street, Edinburgh, EH3 7PQ.
Tel: 031-225-6834, Telex: 727172 TREDIN G. Fax: 031-225-4049

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Chesham are the leading merger brokers in Britain and have confidential *briefs from several hundred public* company chairmen, who are looking to buy successful, private companies worth £500,000 to £25m.

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Telephone: 01-629 5917.

PLANT HIRE COMPANY

Based in North Midlands industrial area. Large range of prestigeous modern tracked and tyred plant.
Sound customer base including national companies and major PLCs.
Freehold premises on modern industrial estate. Turnover well in excess of £1m per annum, sound management and admin team.
Accounts available to 31 December 1986. Reason for sale is that the activities of the Company are no longer compatible with the remainder of the group's expansion plans.
Offers invited in the region of £450K for the share capital of this lucrative and progressive company.

Enquiries considered from principles only to:
Box H1647, Financial Times
10 Cannon Street, London EC4P 4BY

OF INTEREST TO COMPANIES AND INSTITUTIONS
ASSETS OF RETIREMENT HOME COMPANY

Including established top quality retirement home with extensive grounds in an excellent location in East Anglia — London 35 miles
Existing 20 bedroom plus self-contained staff accommodation
Planning consent for extra 12 single bedrooms. Fully occupied and excellently equipped. Registered under latest legislation

ALSO SHELTERED HOUSING SITE
Full planning consent for up-market 20 unit plus warden's scheme
Plus in separate town, site for second nursing/rest home. Including magnificent Grade II house with potential for 28+ single bedrooms
Plans available
For sale freehold as a going concern, only due to owner's serious health problems at £1.2m, or may split. Principals only
Write Box H1632, Financial Times, 10 Cannon St, London EC4P 4BY

IRON FOUNDRY FOR SALE

Modern repetition and jobbing foundry with electric melting producing Grey and S.G. Iron. Capacity approx 2,500 tonnes p.a. Large freehold site. For sale as a going concern. Existing management available.

Principals only write Box H1643
Financial Times, 10 Cannon Street, London EC4P 4BY

Financial Planning Team

A small, highly professional team of established, well-qualified personal *financial advisors, based in the provinces,* seek a link with an institution or financial group to establish an authorised independent intermediary firm in anticipation of the Financial Service Act.

Interested parties should contact:
Robin Rowe, Lloyd Chapman Associates
160 New Bond Street, London W1Y 0HR
Tel: 01-499 7761 - Fax: 01-491 7459 - Telex: 298942

BATHROOM WHOLESALER & RETAILER

Offers are invited for the going concern business of R. Rudd & Co Limited — in Receivership. The company wholesales and retails sanitary ware from Freehold premises in Merseyside
Distribution is throughout the NW of England
TURNOVER £1.1m PER ANNUM

Further Information from the Joint Administrative Receivers:
Frank William Taylor & Christopher John Chambers, Arthur Young
Silkhouse Court, Tithebarn St, Liverpool L2 2LE - Tel: 051-236 8214

FOR SALE — HAULAGE & STORAGE LONG DISTANCE HAULIER WEST MIDLANDS

Offers are invited for the sale of an old established business
Turnover: £¼ million
* Freehold Property * 10,500 sq ft * including cool air and refrigerated storage * Fully equipped garage and offices

For further details contact:
David Johnson, FCA, Stanley C. Johnson & Son
PO Box 28, 22 Worcester St, Stourbridge, West Midlands DY8 1BH
Tel: (0384) 395380

Businesses for Sale
DERBY

Offers are invited for two old-established companies:–

Ley's Casting Co. Limited
Boiler section foundry business with modern equipment, supplying boiler sections.
Budgeted turnover 1987 – £1.4m
No. of employees – 61

Beeston Boilers Limited
Beeston produces two ranges of cast iron sectional boilers for commercial and industrial applications.
Model range includes Berkeley, Bewley, Trent, Bisley, Broxley and Robin Hood.
Budgeted turnover 1987 – £3.4m
No. of employees – 46

All enquiries, in writing please, for the attention of Michael Jones at the address below.

Deloitte Haskins+Sells
Bank House, Charlotte Street, Manchester M1 4BX

Hampshire based Engineering Group

trading through two separate companies, one specialising in Mould Toolmaking, the other specialising in Plastic Injection Moulding.
Each has a strong customer base.
Goup turnover is in the region of £4.2m p.a. split £2m toolmaking, £2.2m plastic injection moulding. Both have potential for substantial increase in turnover.
The assets of the businesses each include freehold factory premises, plant and machinery, stock and work in progress, goodwill and order books.
The businesses can be sold individually or as a group.

For further details, please contact:
The Joint Administrative Receivers, David H. Gilbert and Derrick S. Woolf, Levy Gee and Partners, 100 Chalk Farm Road, London NW1 8EH. Telephone: 01-267 4477
Telex: 27806

Levy Gee

Eastern Partitioning Systems Limited
Norwich

The business and assets of this company which has a turnover of £1.7 million are offered for sale as a going concern by the receivers. The company designs and installs office partitions and suspended ceilings for which it won the PIA Installation of the Year award for 1986.

Enquiries to:
M. L. Page,
Peat, Marwick Mitchell & Co.
Holland Court, The Close, Norwich NR1 4DY
Telephone: (0603) 620481 Telex: 975539

PEAT MARWICK

SQUASH & LEISURE CLUB FOR SALE

Superb modern, well-located Sports Complex (Built late 70's) Kent. Includes 8 Courts, Snooker Room, Gymnasium & Keep-fit Studio, Sauna & Solarium, fully licensed Bar & Restaurant. Managers flat. Good current active membership.
For further details apply Ref: GSM

EDWARD SYMMONS & PARTNERS
56/62 Wilton Road, London SW1V 1DH
01-834 8454 Telex: 8954348
And at Manchester, Liverpool & Bristol

ESTABLISHED AIR CONDITIONING EQUIPMENT MANUFACTURERS

Pre tax profit in excess of £100,000. Good order book.
Freehold factory location South East England.
On-going local management to remain. Does not fit in with the owner's activities.
Negotiation with Principals only on around £0.75m to include plant, machinery, office fittings and stock.
Opportunity to purchase freehold premises.
Write Box H1637, Financial Times
10 Cannon Street, London EC4P 4BY

SOFT FURNISHINGS BUSINESS FOR SALE

Factory and retail, large curtain making capacity, prosperous Nottingham area in which most major national multiples are represented. Seven years left on lease
Reply stating interest to:
Box H1633, Financial Times
10 Cannon St, London EC4P 4BY

DOUBLE GLAZING BUSINESS

Manufacturers and installers to retail and trade for sales as going concern
Price also includes 3,500 sq ft factory plus 750 sq ft offices
Based West London
£380,000
Principals only
Telephone 01-997 5777
(Ref AK)

FREE NEWSPAPER GROUP FOR SALE

A small expanding free newspaper group for sale or would consider a partnership, well established and showing healthy profits
Write Box H1628, Financial Times
10 Cannon St, London EC4P 4BY

EMPLOYMENT AGENCY

SPECIALISING IN COMPUTER, TECHNICAL & COMMERCIAL STAFF
Central location in thriving and rapidly expanding South Coast town near M27
Write Box H1627, Financial Times
10 Cannon St, London EC4P 4BY

Employment Agencies FOR SALE

HAMPSHIRE & SURREY
Principals Only
Write Box H1652
Financial Times
10 Cannon St, London EC4P 4BY

INSURANCE BROKERAGE FOR SALE

Established 1974, based in north London with gross premiums exceeding £1m. 52% general and 48% motor business. Price £266,800 for goodwill plus £48,200 of net assets.
Write Box H1651, Financial Times
10 Cannon St, London EC4P 4BY

3 ACRE INDUSTRIAL SITE

OUTLINE PERMISSION FOR 80,000 SQUARE FEET
Next Arterial Road, E. Hertfordshire
Offers sought or partnership with developer
Write Box H1638, Financial Times
10 Cannon St, London EC4P 4BY

FOR SALE LONDON ART GALLERY

Publishers, retailers & wholesalers of production prints and limited editions
* Retirement sale
* Undeveloped potential
* Proprietor's income £45,000 pa approx
* Export market open

Kynastons, 5 Upper Tachbrook St
London SW1V 1SN - 01-630 0067

Businesses For Sale

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Terry of Redditch Ltd and Jungeling Ltd

The businesses and assets of this long established group with its well known trade names are offered for sale as going concerns. Engaged in the design, manufacture and distribution of equipment accessories and products comprising:

- **Leisure businesses**
  - Exercise cycles
  - Rowing machines
  - Multigym range
  - Weightlifting equipment
  - Keep fit etc.
  - **Turnover £1m pa**
- **Hoseclips and other metal fasteners**
  - 'Powerclip' hose clip
  - 'Snip & Grip' system
  - 'Manex' exhaust clamps
  - Tool clips
  - Hardware products
  - Automotive products
  - **Turnover £2m pa**
- **Wire and flat metal spring manufacturing plant**
  - **Turnover £1m pa**
- **Standard precision springs and washers**
  - **Turnover £0.3m pa**

The group is a market leader, current work force 150. It occupies modern freehold premises comprising 79,500 sq ft on a 7 acre site in Redditch, near Birmingham. Extensive fully equipped workshops. Substantial export market and an interest in a hoseclip manufacturing company in China.

For further details contact:

David Exell, or The Joint Administrative Receivers, Christopher Morris and David Bird:

Touche Ross

Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP
Telephone: 0272 211622, Telex: 44365 TRBRIS G, Fax: 0272 292801.

Beacon Woodall Limited Group
(In Receivership)

The business and assets of this established group of companies, employing some 140 employees and based in freehold premises in Wolverhampton, West Midlands (unless specified otherwise), is offered for sale (in whole or part) as a going concern. The group comprises:

Wiseman Woodall Limited (based in Wolverhampton and Hinckley, Leicestershire)	Plumbing and heating engineers, annual turnover approximately £3 million.
Woodall Mechanical and Electrical Limited (incorporating Griffin Plumbing and Heating — based in Newton-le-Willows, Merseyside)	Plumbing, heating, electrical and industrial pipework contractors, annual turnover approximately £1 million.
Woodall Contract Plumbing Limited	Contract plumbing and heating engineers, annual turnover approximately £760,000.
Water and Warmth Limited	Installers of domestic central heating, selling directly to the public, annual turnover approximately £300,000.
Briden Construction Limited (based in Erdington, Birmingham)	Jobbing builders, annual turnover approximately £1[illegible]

BinderHamlyn
CHARTERED ACCOUNTANTS

For further information contact:

A. J. Galloway
Joint Administrative Receiver
Mander House, Mander Centre
Wolverhampton
Telephone: 0902 714828
Fax: 0902 711476

Diamond Drilling and Sawing Contractors
Hertfordshire

On behalf of our client, we offer for sale the business of Diamond Drilling and Sawing Contractors for the construction industry. The company has been established for 25 years. Current turnover is £400,000 per annum. The company has leasehold premises of 3,500 sq ft and 15 employees.

Further particulars available on request from:
R G Carter or J R D Smith,
Spicer and Pegler Associates,
Friary Court,
65 Crutched Friars,
London EC3N 2NP
Telephone: 01-480 7766

Spicer and Pegler Associates
Management Services

DIGITAL INSTRUMENTS LIMITED

The business and assets of the company are offered for sale

Digital Instruments is a small company in the Factory Automation market which manufactures networkable intelligent I/O modules

- This company have been acknowledged by the technical press as product leaders in their field
- Users cover a wide spectrum of industry e.g. Food, Pharmaceutical, Water, Automotive, Manufacturing Machinery
- Existing database of several thousand enquiries
- Small range of stocks, office and exhibition equipment

C&L
Coopers & Lybrand

For further details please contact:
Coopers & Lybrand
Phoenix House
Station Hill
Reading RG1 1UN
Tel: 0734 597111
Fax: 0734 508166
Telex: 848588

Computerised Typesetting and Music Setting Equipment

The joint receivers and managers of certain assets of Hillchart Limited (formerly Artsound Limited) wish to sell equipment used in computerised typesetting and music setting which includes:

- Monotype Lasercomp MK2/70 typesetter
- Qume VDU's
- Agfa-Gevaert Repromaster 2100 and copy proof CP38
- Amicus text setting terminal and ancillaries
- Baydal S12 fixed disk stores

For further information and details apply to JAG Alexander, Joint Receiver and Manager

KMG Thomson McLintock
Chartered Accountants
70 Finsbury Pavement, London EC2A 1SX Tel: 01-920 9111
Facsimile 01-588 2485 Telex 886556 tmclin g

SPECIALIST RETAIL CHAIN

Opportunity to purchase and expand profitable business with 15 shops
For full information, contact:

Hammond Phillips

8 Hinde Street, London W1M 5RG
Tel: 01-487 5671 Ref: AHW/BWH

PPL (Holdings) PLC

(IN RECEIVERSHIP)

The business assets of the company, suppliers of computer software to major commercial organisations, are for sale.

For further information please contact the Joint Receiver: [illegible]

Price Waterhouse

TAXATION

The Financial Times is proposing to publish a Survey entitled

TAXATION

on April 24, 1987

If you require further information on this Survey, please contact:

Claire Broughton
on 01-248 8000 extension 3234
or your usual Financial Times representative

ARCHITECTURAL ISLAMIC DESIGN COMPANY

ENQUIRIES ARE INVITED FOR THE ASSETS OF THE BUSINESS

Turnover for 1986 of £3m from established overseas customer base

Computer controlled graphic design facilities

Excellently equipped leasehold offices of 3,000 sq ft and separate warehouse of 10,000 sq ft in West London

Please write to:
Box H1659, Financial Times
10 Cannon St, London EC4P 4BY

BAKERY

Turnover £500,000
Projection £650,000
Offers over £650,000
Write Box H1631, Financial Times
10 Cannon St, London EC4P 4BY

COMPUTER BUREAU

Small mainly ICL based Bureau for sale, based in central London, the business is available with or without existing management, or company would consider sale of turnover running at approximately £250,000 p.a.
Principals only should apply.
Write Box H.1644, Financial Times, 10, Cannon Street, London EC4P 4BY.

ANNUAL PUBLICATION IN THE RECORDED MUSIC INDUSTRY

A long established title is for sale. This yearbook is distributed annually to all buying authorities within the recorded music and allied industries. The package for sale includes up-to-date research to copyready and typeset stage for all editorial and content sections, and a comprehensive mailing list.

For further details, please apply: Box H.1642, Financial Times, 10, Cannon Street, London EC4P 4BY.

FOR SALE
Pre 1965 Company

Small trading company in the textile industry having an extended date for the payment of Corporation Tax (20 months after the year end).
Write Box H1641, Financial Times
10 Cannon St, London EC4P 4BY

PRECISION ENGINEERING COMPANY
FOR SALE

Midlands based company with interest in tooling, special machinery and sheet metal equipment. Profitable, Turnover £800K+. Principals only.
Apply Box H1628, Financial Times
10 Cannon St, London EC4P 4BY

RETAIL FURNISHING BUSINESS
EAST SURREY

For sale due to owners' retirement
Thriving business established 40 years. Turnover £460,000—spacious premises to be let, or freehold for sale—approx. 7,700 sq. ft.
Please contact:
R. E. LANE, F.C.A.
Rutland House, 44 Masons Hill,
Bromley, Kent. BR2 9EQ

FOR SALE as going concern, trading export company, est. 1982, with sole asset of agreed Tax Loss of £180,000. Potential for sales from groundwork already done. Offers invited to Box H.1653, Financial Times, 10, Cannon Street, London EC4P 4BY.

QUICK SALE NEEDED—Manufacturer of metal garden furniture has export orders, but insufficient capital. Tel: 04536 71904.

FOR SALE—Wooden Toy/Craft Manufacturer. Turnover £100,000 approx. Please contact Box H.1650, Financial Times, 10, Cannon Street, London EC4P 4BY.

SNACK FOODS

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THE ARTS

The State of the Art/William Packer

Abstraction is no creative cul-de-sac

The State of the Art is, like Cerberus, a three-headed monster that guards the entrance to the infernal regions of modern art, and all who approach it should do so with some care. It takes the form variously of an exhibition that fills the four galleries of the Institute of Contemporary Arts in the Mall (until March 1: then on to Newcastle, Preston, Bradford and Norwich); a book by its master, Sandy Nairne (Chatto & Windus: 256 pp; 200 illustrations; paperback; £12.95); and a six-part documentary series for television (Sunday nights at 8.15 on Channel 4, two still to come).

My colleague, Christopher Dunkley, dealt with the television head at some considerable length on this page two Wednesdays ago and, I must say, gave it rather a hard time. Critical colleagues, of course, are in no way obliged to agree, and it should come as no surprise to Christopher to learn that much of what he said positively urged me to rally to the cause of the poor old dog.

We may well have been shown a great deal that is difficult, obscure or uncongenial and heard it glossed time and again with downright fatuity and pretension, but that hardly makes the case for Abstraction as a creative *cul-de-sac*. Far from being a mere dead-end, Abstraction is what it always was, a positive and at times exciting way forward, admittedly one of many for artists to follow. Its historical antecedents suggest that it is not soon to become forgotten and overgrown. As for any supposed revival of figurative art at the expense of Abstraction, to read it as the triumph of common-sense over perverse foolishness is to mistake a shift in creative interest for immutable judgment. Figuration was never moribund, nor is Abstraction now. That Carl André with his bricks should still touch a nerve some 20 years after the acquisition of that work, and more than 10 years on from the great furore, is amusing in itself and more to the artist's credit than otherwise.

Of the four programmes already broadcast, I have seen only two-and-a-half. Christopher has seen all six, and on his particular and final judgment of *The State of the Art* as pretty dire stuff, I could not agree with him more. Such unconscionable tedium is indeed inexcusable, but it is its direness as television, not the direness of the content, the art, that makes it so. For it is the curious and demonstrable fact that the book, which is truly the book of the series, is not bad at all. Necessarily shorter on its visual matter, though no less effective, it supplies the full transcript of each programme in due order, replete with reference, footnote and caption. The material itself is quite as contentious and question-begging as the programmes would lead us to expect, but on the page, with the qualities of personal delivery mercifully absent, it is assimilable and even engaging.

There is no mystery in this. The book is but one study among many in its field, which it defines and narrows to its argument. As such it is a useful and reasonable addition to the library of late modernism, and we are free to take it or *leave it on its own terms*, that are political, propagandist, feminist and conceptual by turns. The difficulty lies with television itself, which partly by its neglect of all contemporary art as part of the currency of normal civilised life, partly by its very nature of technological irresponsibility, can presuppose no such context of general study and understanding. Always more is promised than can at once be delivered, and every ambitious series concerned with modern art must start at the beginning to persuade the ignorant while hoping desperately to keep the interest of the committed. *The State of the Art* as it must present itself on television proposes a finality and comprehensiveness it can never achieve, and in the event begs every question in the book.

The sad thing is that in addressing itself to certain issues that preoccupy many artists working now around the world, the series might well have achieved more with less. We do not have to accept with these programmes that feminism, for example, or socialism, or the radical rewriting of cultural history, is necessarily the one way forward, but the very exposure of silliness can be useful. A quiet, proper, unpretentious debate around any of these subjects would be entirely valid, but television makes such a thing impossible. Even a serious proposition by a major artist gets lost in the presentation. "Every human being is an artist," declares the late Joseph Beuys, which is easy enough to ridicule but by no means unsustainable. The effect of all true art, after all, is to raise its perception to the pitch at which the experience itself becomes palpable. And if a work of art, why not then a tree, or a stone? Every man might be indeed an artist as he might be a saint, though few are. A natural scepticism in the face of Jonathan Borofsky's exploitative scribbles, or Victor Burgin's po-faced ideological critique, or Susan Hiller's literal self-effacement, or Mary Kelly's maundering texts, does not invalidate the general case.

All these *soi-disant* artists or, *as Miss Hiller would have* it, cultural workers, are represented with others in the exhibition at the ICA. Its scope is limited, and each of the six chapters-cum-programmes gets only a token representation and a basic rubric. But there are good things to be savoured *for themselves among the bad* and the suspect, from the contrasted historicism of Keifer and Mariani in the introductory section on post-modernism, to Leon Golub's impassively disturbing images of torture and interrogation in the political room upstairs. Cindy Sherman's enigmatic narcissism is expressed, as always, through her remarkable photographs.

But the show is a true curate's egg and its section on *Identity, Culture and Power*, which is to be the burden of the final programme, is its most doubtful portion. A large painting of two black women running after their dogs, based upon Picasso, itself a striking image, is glossed as "a strident comment against the frequent appropriations of the early modernists." Really? Is it wrong for an artist to look to other cultures, or even other artists, for reference and inspiration? Was Picasso's work never a celebration of native art?

Donald Rodney is a young black British artist who makes large polemical cut-outs of a startling crudity and ineptitude and an equally startling violence of raw, racist sentiment. "I suddenly became aware of what I wanted to say and who I wanted to say it to. I no longer had to use the language given to me by western art traditions." Well, mere polemical assertion is no more art than Borofsky's scribbles, without the mediation of form or substance. Rodney uses the language of no tradition at all. It worries me rather less that what he has done here might well be against the law, *than that even his sympathisers*, steeped in the culture of Shakespeare and Webster, Turner and Bacon, should give it any consideration as art, let alone good art. Pyscho-therapy perhaps, but art . . .? Would they ever give a young white artist, of equal and opposite virulence of opinion, the time of day? Of course not, nor should they.

Deutschland Deutschland (detail) by Carlo Maria Mariani

Gabrieli Consort/Wigmore Hall

Andrew Clements

"Monteverdi's Venice and Carissimi's Rome" is the title of three concerts being given by the Gabrieli Consort and Players at monthly intervals in the Wigmore Hall. Monteverdi's madrigals — taken from the eighth book, the *Madrigali guerrieri et amorosi*—are combined with Carissimi's three oratorios, and the programmes bulked out with instrumental pieces by the two composers' contemporaries.

It is a pleasing arrangement, carefully plotted and smoothly executed. The first programme on Friday brought Carissimi's *Jephte* into conjunction with six of Monteverdi's most celebrated madrigals, the sequence interweaving duets ("O sia tranquillo il mare" and "Ardo, e scoprir") with the scena-like *Lamento della ninfa* and the two five-parters, "Dolcissimo uscignolo" and "Chi vol haver felice," as well as brief solo turns for the accompanying instrumentalists, playing chitarrone, double harp, chamber organ and bass violin.

The Gabrieli Consort is a young, perfectly schooled group, under the direction of Paul McCreesh. Its publicity places it as one of the "second-generation" early music ensembles, with links back to the more established pioneers in the field. All their performances have evidently been prepared just as scrupulously as their programmes; not a syllable is misplaced. It seems, at times, a shade too manicured: there is surely more passion to be realised in many of these madrigals, an expressive imperative to lay stress and emphasis on the lines less uniformly. It would have been hard to guess from the Gabrieli account that "Gira il nemico" is a comic turn when its contours are not so ironed out, or that "O sia tranquillo" should be resoundingly tragic.

For the Carissimi the five madrigal singers were joined by the soprano Janet Coxwell, and it was her contribution, as the daughter of Jephtha, which found at last the balance between dramatic involvement and musical literalness. The performance leapt suddenly into three dimensions in a way touched on sporadically earlier, suggesting that when the group relaxes more fully into its repertory it will gather far greater expressive rewards.

Steven Isserlis/Wigmore Hall

Dominic Gill

Steven Isserlis is a young British cellist in the head-tossing heart-on-sleeve Tortelier tradition. His playing is full of colourful and imaginative things, and underpinned by a splendid technique; every performance of whatever kind of music is delivered with supreme assurance and absolutely unrelenting expressive intensity. Isserlis recitals are almost always impressive, and after about 30 minutes sometimes also a little exhausting.

The effect is least tiring in the shortest musical paragraphs. Schumann's *Five Pieces in Folk Style*, with which he opened his recital programme on Saturday evening, are a perfect Isselis vehicle, and he played them exquisitely—here, as throughout the recital, one noted with special pleasure that he uses vibrato not as an all-pervasive sonority but as a real expressive device. The *Langsam* song was done with heart-wrenching pathos—but the sonority itself, smooth and beautifully modulated, contained not a trace of schmalz.

Isserlis ended with Martinu's sonata and Janacek's *Pohadka*—and his manner suited the urgent intimacy of the Janacek especially well: few cellists make the difficult pizzicati of the opening movement "speak" so deftly, or shape the adagio whispers with such clarity. Schubert's Arpeggione sonata is really less great Schubert than his white-hot commitment would have us believe—but it was a rare pleasure to hear most (if not absolutely all) of those high A-string figurations so perfectly tuned. His excellent pianist and partner was Peter Evans.

Bob Wilson's Salome/La Scala, Milan

William Weaver

After the uncontested and glowing success of La Scala's inaugural *Nabucco*, controversy was probably inevitable. It duly came with the second new production of the season (a revival of John Cox's production of *Zauberflöte* followed the Verdi opening). This was a staging of Richard Strauss's *Salome* by the American director Robert (Bob) Wilson, best known for his original works like the classic *Deaf-Man's Glance* and the mammoth *Einstein on the Beach*. Wilson is not unknown in Italy: his pieces have been seen in Venice, Rome, Spoleto. But this was his debut at La Scala, and his first Italian experience with a repertory opera.

As has become customary at La Scala, the actual premiere was preceded by a considerable press: interviews, conferences, "indiscretions" (i.e. leaks), gossip. When it was announced that the singers would not act, and the action would be in the hand of mimes (five actresses for Salome, three for the Baptist, etc), conservative Milanese were predictably apprehensive.

And after every performance there was a vociferous mixture of catcalls and applause: the applause addressed to the singers, the disapproval to everyone else. To make the opening more dramatic, the scheduled protagonist, Eva Marton, bowed out at the last minute and was replaced by Montserrat Caballé. By the time I reached Milan, for the third night, Caballé had also had to leave, and the Princess was sung by a—to me—unknown soprano, Carmen Reppel. In the event, she proved to be an appealing interpreter. Though the voice is not—or not yet—quite strong enough, especially in the lower part, for the demands of the music, the top has a clarion ring and the singer clearly knows what she is doing.

Bernd Weikl was a moving Jochanaan, and Helga Dernesch a larger-than-life Herodias. Hermann Winkler's Tetrarch was a bit smaller than life, but acceptable. The Italian critics were hard on the conductor Kent Nagano, but by the third performance he seemed to have taken the measure of the house and gained the support of the Scala orchestra. The opening scenes were muted, without bite or cutting edge; but the Dance was thrilling, and the finale tense and spine-chilling. Musically, this *Salome* was on a good, if not unforgettable level.

But the music was only half of the evening. At times it was almost literally half: the singers collected on a small platform jutting from stage right, while Wilson's mimes and scenery occupied the rest of the available space and one of the Salomés, costumed as Alice in Wonderland, remained mostly on a bridge over the other side of the orchestra pit. Most of the time, Wilson (abetted by the costume-designer Gianni Versace) created haunting, evocative stage-pictures. They were obviously not intended to "act out" or illustrate the text, but rather to add to it, expand it, perhaps symbolise it. Is there a bit of Alice in Wilde's Salome, or is there a bit of Salome in Alice? Such questions run through the viewer's mind as he kept at least one eye on the mimes and another on the singers (for, also handsomely dressed by Versace, they were not entirely still; they also acted, moved out onto the stage proper). If anything, Wilson's kaleidoscope was too rich; it distracted from the music, as it was enhancing it.

It must be said, too, that faced with the mammoth challenge of the Dance of the Seven Veils, Wilson seems to have suffered a failure of fantasy. The inventions—a winged youth suspended on a wire, flapping frame-like wings; a red devil on a trolley; a Noah-like bearded old man—looked weak, compared with the irresistible frenzy of the score.

But, even with this lacuna, Wilson's vision of the opera remains in the mind. The division of the performance between music and staging had also this benefit: the music could be heard without irritation, the singers could sing freely. It was not a Luca Ronconi perversion of the text (I can still see the pained expression on Mirella Freni's face when, in Ronconi's *Ernani*, she had to be carried on a shaky platform, like a Madonna in a Spanish Easter procession). Also Wilson did not constrict the opera's meaning. This was not one of those *à thèse* productions where everything is made to prove a point (e.g. Wagner was a fascist, capitalist, etc.). Here the spectator could, if he liked, let his own imagination follow Wilson's. Or, if he disliked, he could reject the whole thing and join in the boos at the end. Though many took advantage of this option. I felt they were denying themselves an enriching experience.

Korean master drummers to tour Britain

Four Korean master drummers will be touring Britain on the Arts Council's Contemporary Music Network opening at the Logan Hall, Bedford Way, London on Wednesday February 18, as part of an 11 date tour.

The name of the group Samul Nori literally means "the play of four things." Here it refers to four musicians playing and dancing with four percussion instruments.

Samul Nori, which was formed in 1978, has toured the US, Canada, Japan and Europe.

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Stravinsky Plus/Barbican Hall

David Murray

The second main concert in the London Symphony's Stravinsky festival went off fortissimo on Sunday. Gennadi Rozhdestvensky chose to conduct not only the full 1911 version of *Petrushka* (as far as I could guess: the programme-book, unfestivalishly, didn't tell us) and Ravel's second *Daphnis* Suite with chorus in full cry, but between them Prokofiev's pugnacious First Piano Concerto. Of that lot I think only Prokofiev *meant* to knock his audience's ears back; we could have done with some sober relief. Since the London Symphony Chorus were in such excellent form—excitingly barbarous in *Daphnis* without prejudice to pitch—it was a pity not to have Stravinsky's rapt little cantata from the same year, *Zvezdoliki*, instead.

The aims of "Stravinsky plus" do not, however, include exploration of less-known Stravinsky. The real point seems to be exploring what a highly intelligent Russian conductor makes of Stravinsky pieces which are bread-and-butter music in the West, but until not long ago were anathema in the Soviet. In *Petrushka* Rozhdestvensky didn't disappoint, but the LSO rather often did. They had an evening strewn with undisguised fluffs: the hit-or-miss brass, in particular, made one think back regretfully to the Birmingham Symphony's gleaming execution of the music last autumn. Should you read patronising comments about the CBSO's technical standards from anonymous persons connected with London orchestras, be warned that they are the merest braggadocio.

In the grand Shrovetide Fair panels of *Petrushka* the LSO tuttis were an indiscriminate welter of sound, where the CBSO under Simon Rattle had been precise and taut. The Rozhdestvensky reading lost little by that, for its general tone was warm, jolly and earthy. There was never any threatening sharp edge, and except for the "Danse russe" (with a tingling piano) the tempi of the main sections were comfortably relaxed. Compensation came in the conductor's close sympathy with dramatic detail: it is unusual to have the puppets' fortunes so expressively traced, and the human side of the score was much enriched. A fine principal flute helped, as also—quite beautifully—in the "Pan and Syrinx" episode of *Daphnis*.

In the 20-year-old Prokofiev's tooth-rattling Concerto the pianist was Viktoria Postnikova (Madame Rozhdestvensky), and as always she was astonishing. *One thinks of her as a lyrically* revealing pianist *par excellence*. Here she was savage and steely (steely-fingered too), hard and propulsive: intuition says that young Prokofiev must have performed the piece with just such uncompromising fury. She and Rozhdestvensky intensified the effect of calculated brutal insult by making no pretence of smooth links between sections—each new, metallic invention was flung down like an unfriendly trump card. I was persuaded that that was *just* how Prokofiev's personal revolt should be re-enacted.

The Hollies/Albert Hall

Antony Thorncroft

Rock music, like cricket, is often more enjoyed through its statistics than its reality: knowing who played bass in the original Procol Harum line up can produce a warmer glow than setting out for Wembley on a wet night to half hear Spandau Ballet. So the Hollies are best remembered for the fact that they had 21 successive Top Twenty hits between 1963 and 1970 than that they can still be seen regularly touring Scandinavia. Now, to celebrate their silver jubilee, they are doing the UK, and pulling in a respectable crowd at the Albert Hall on Saturday for starters.

Of course not all the Hollies are on parade, Graham Nash preferred to become a multi-*millionaire in the US but three* of the originals are on stage—drummer Bobby Elliott, guitarist Tony Hicks, and Allan Clarke, the singer, who has come and gone from the band over the years with the regularity of a shuttle service. Backed by three new recruits they are enough to roll back the years and to remind the audience just how innocent, optimistic, and, well, nice, were the mid-sixties.

Wisely the Hollies do not attempt to re-create their hits, which were originally culled from little-known American R & B artists and later spawned by their own confidence. Some of the songs are rather casually thrown off in medleys which is a pity because "Jennifer Eccles" and "Carrie Anne" must mean a lot to individuals in the audience.

Instead the act is like a school reunion, glimpses of the past blended with more recent adventures. At the end they let off their big one, "He ain't heavy," followed by a nod to their rock and roll credentials with an extended "Long cool woman." It is all rather cosy, very relaxed, and undemandingly enjoyable. Like most pop stars Clarke and the rest look as if they spend half their lives beside LA pools and half working out in private gyms. They chat easily with each other, and the audience, with jokes about *the Beatles, about the enormity* of middle-aged men playing at rock stars, about Hicks making Cliff Richard look old.

What holds it together is the strength of their material—it is worth turning out to hear "The air that I breathe"—and their talent. Clarke still has one of the best voices in pop and Hicks happily adds modern licks to pep up the stilted bits in the originals. Unlike jazz, pop does not embalm its past. Here are some of the neatest tunes of 20 years ago dressed up in the latest styles by musicians who need us but no longer care about anything but having a good time.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 30–Feb 5

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Der Rosenkavalier, in John Schlesinger's fussy production, returns with an attractive cast – Felicity Lott, Ann Murray, Barbara Bonney, Hans Sotin – and Bernard Haitink as conductor. Last performance of Lucia di Lammermoor, in which June Anderson and Alfredo Kraus provide impressive exceptions to the general rule of mediocrity. (240 1066).

English National Opera, Coliseum: the new production of Tosca, which Jonathan Miller has updated to 1944, has Josephine Barstow in the title role and Jan-Latham-Koenig conducting. The Queen of Spades, one of the more controversial of David Pountney's ENO productions, returns in impressive form, led by Alan Woodrow, Janice Cairns, and Sarah Walker as an unforgettable Countess (836 3161).

WEST GERMANY

Berlin, Deutsche Oper: Die Hochzeit des Figaro has fine interpretations by Pilar Lorengar, Carol Malone and Wolfgang Brendel. Der fliegende Holländer has Janis Martin, Gerd Brenneis and Robert Hale. Ariadne auf Naxos, will be conducted by Heinrich Hollreiser. Otello has a particulary strong cast with Pilar Lorengar, Kaja Borris, Franco Bonisolli and David Griffith. Zar und Zimmermann rounds off the week. (3 43 81).

Hamburg, Staatsoper: Don Carlos stars Linda Plech, Stefania Toczyska, Kurt Moll, Giacomo Aragall and Giorgio Zancanaro. Belsazar has Walter Raffeiner in the title role. Le Nozze di Figaro is a joint project between Hamburg and Salzburg – Mozarteum. Otello brings Wladimir Atlantow, Kostas Paskalis and Julia Varady together. Also Katja Kabanowa (35 11 51).

Frankfurt, Opera: Die Walküre is revived with a new cast led by Lia Frey-Rabine, Helena Doese, Sandra Walker and Wolfgang Probst. Louis Quilico is repeating his much praised performance in the title role in Falstaff. Hoffmanns Erzählungen for the last time this season. (2 56 21).

München, Bayerische Staatsoper: Fidelio is well cast with Gwyneth Jones, Julie Kaufmann and Rainer Goldberg. Aida, sung in Italian, features Bruna Baglioni, Julia Varady, Lando Bartolini and Juan Pons. Lulu is a well done Jean-Pierre Ponnelle production. Also in the repertory: Madame Butterfly (2 18 51).

ITALY

Milan, Teatro alla Scala: Flavio Testi's new opera Riccardo III conducted by Roberto Abbado and directed by Virginio Puecher, with scenery and costumes by Pasquale Grossi; three ballets by George Balanchine; Zeffirelli's production of Otello, conducted by Carlos Kleiber, with Placido Domingo in the title role. Mirella Freni sings Desdemona and Renato Bruson, Lago. (80 91 26).

Rome, Teatro dell'Opera: Florence Teatro Comunale's production of Carmen conducted by Jacques Delacote and directed by Silvia Cassini with Elena Obratzova, Jose Carreras and Silvano Carroli; L'Italiana in Algeri conducted by Alessandro Siciliani and directed by Jean-Pierre Ponnelle. The cast includes Lucia Valentini Terrani, Ruggiero Raimondi and Domenico Trimarchi. (46 17 55).

Trieste: Teatro Comunale Giuseppe Verdi: Hary Janos by Kodaly (new Italian translation by Giorgio Pressburger) conducted by Tamas Pal and directed by Laszlo Vamos. (63 19 48).

PARIS

Gala evening (Tue) at the Paris Opera: Elektra, conducted by Seiji Ozawa with Hildegard Behrens as Elektra and Christa Ludwig as Clytemnestra, followed by a Vienna 1900 Soirée et Souper to chamber music accompaniment. Evening Dress. Paris Opéra (4266 5750).

Roland Petit and Ballet National de Marseille present The Blue Angel at the Palais des Sports, Porte de Versailles (4828 4010).

Ballets Van Dantzig/Balanchine conducted by Lothar Zagkosek. Van Dantzig's choreography of Sans Armes, Citoyens, to Berlioz' music, is followed by symphony in three movements by Stravinsky in Balanchine's choreography. Paris Opera.

VIENNA

Staatsoper: Cav and Pag, conducted by Bareza with Cotrubas and Vickers; Attila conducted by Mackerras with Chiarra, Ghiaurov, Cappuccilli; Die Fledermaus conducted by Neuhold with Dernesch, Lind, Goettling, Weikl; Der Fliegende Holländer conducted by Schneider with Gessendorf, Lilova, Estes; Rigoletto conducted by Boncompagni. (51 444/2655).

Volksoper: Ein Walzertraum conducted by Schenk; Die Zauberflöte conducted by Parik; Wiener Blut conducted by Bibl; Die Csardasfürstin conducted by Bibl; Das Land des Lächelns conducted by Bibl. (51 444/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins; and Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace): Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan puts Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. Kennedy Center (254 9895).

TOKYO

Japanese Classical Dance. Some of Japan's best-known performers take park in this 30th Anniversary of the Association of Classical Dance. National Theatre (Thur). Tokyo Metropolitan All-Japanese Arts Festival. (533 6455).

Saleroom/Antony Thorncroft

Furniture takes wing

There might be a deathly hush most days in the main auction rooms of Sotheby's and Christies' in London as they keep to their new policy of holding fewer but bigger auctions. However fine art sales are booming internationally.

No more so than in New York where last week Sotheby's sold Americana for £9,269,205. Americans have been buying their native art, from paintings to weathervanes, very enthusiastically in recent years, and prices have reached extraordinary heights. Perhaps the most extraordinary was the £1,758,312 ($2.75m) paid on Saturday for a chair, making it the most expensive item of furniture ever sold at auction.

To defy reason even more all the upholstery on the chair is modern. What the buyer, the New York dealer, Leigh Keno, was paying over three times the pre-sale estimate for was an excellent provenance. The chair was made for General John Cadwalader, the richest man in Philadelphia, in 1770 by Thomas Affleck. The bills survive. The wing chair comes from the most famous set ever produced in the United States, owing much of its fame to the fact that it has "hairy paw" feet, which are very rare.

This particular chair has only recently surfaced. Five side chairs from the same suite made £139,262 in 1972, and a sixth, discovered in 1982, went for £184,564 in that year. The history and rarity, as well as the carving, produced the record price.

Another record in the same auction was the £123,081 paid for a sampler, the work of Eliza Waterman in 1788 when she was aged 11.

Christie's could not match these prices in its auction of 20th century decorative art at the Hotel Loews in Monte Carlo on Sunday. It totalled £1,158,491, but with 32 per cent unsold. The top price of £119,612 was paid for a bed designed by Rodin in 1882 and made by his friend, the master carpenter Mathias Ginsbach, in mahogany.

A more remarkable price was the £59,806 for a combined standing lamp and display cabinet made by Ruhlmann: it was six times its estimate. A low table designed by the architect Mies van der Rohe in 1929 for the Barcelona World Exposition went for £57,414. It was made from chromed metal and plate glass. Another table to far exceed expectations was a low coffee table of oak veneer, mahogany and wrought iron, which sold for £35,884. The main disappointment was the failure of a bronze of a tiger by Bugatti to find a buyer.

FINANCIAL TIMES

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Tuesday February 3 1987

Leadership at the BBC

MANY OF the troubles at the BBC arise from the fact that both the corporation and its critics have seen it in a quite unreal role. On the one hand it has been expected to be the "voice of Britain"; on the other it has been expected to provide radical, innovative and fearless programmes. The mutual incompatibility of the two requirements are a built-in source of strain.

Fortunately, we are entering a new phase, where there is no more call for a "national" broadcaster than for a "national" newspaper. It was always extremely undesirable that one newspaper should ever have been regarded as the official voice of Britain. The arrival of many competing voices, which left the reader to find the approach he found most congenial, did nothing but good to journalism. Similarly, now that consumer choice has been augmented by more radio frequencies, decoder boxes, cable and satellite, the broadcasting market is acquiring more of the competitive characteristics of publishing and journalism. And a good thing too for those who value freedom of speech, and cultural and artistic diversity.

Long transition

Indexation of the licence fee provides the BBC with an opportunity to think ahead it never had before. Plans for subscription, now being examined by consultants for the Home Office, would provide the BBC with a way of reaching out to customers directly and of loosening still further its dependence on government. Greater access for small independent producers also provides new opportunities on both the creative and the cost-reducing side, which the right sort of director general would relish. Nor is it too early to think of establishing the Public Service Broadcasting Council (PSBC) recommended by Peacock.

Of course there will be a long transition between the present duopoly and the electronic publishing market envisaged by Peacock; supplemented by the PSBC. In the meanwhile, a director general will have to tread with sensitivity, making sure that the BBC does not just go for ratings, but provides the more demanding programmes, which might otherwise not be made. And until there is as much choice in broadcasting as among newspapers, books and magazines, political balance cannot be neglected. Even here entrepreneurial flair will be a better guide than cultivation of the political corridors.

To lead the corporation into this competitive, but exciting, world a broadcasting entrepreneur is required who relishes the challenge. The last sort of person we need is a senior statesman passionately committed to the cosy, but vanishing duopoly of the BBC and ITV, for which the establishment is already lobbying. In their different ways both Mr Jeremy Isaacs, who has pioneered a new sort of broadcasting based on independents at Channel Four, and Mr Michael Grade, who has shown a flair for attracting the viewers at the BBC, would be more suitable than most of the other candidates.

Split post

As many of Mr Alasdair Milne's problems arose from the excessive range of detailed responsibilities falling upon one man, it is tempting to say that the post of director general should be split between a business administrator and a programme planner, just as most newspapers have managing directors distinct from editors.

Wits will reply that the post is already split between Mr Marmaduke Hussey and Lord Barnett. But realistically, the business and editorial planning at the BBC in a period of change is likely to be more intertwined than in newspapers; and a single DG with more back-up and delegation than Mr Milne enjoyed is required.

A more important problem is to end the tensions and distrust between the BBC governors and the BBC professional staff. The two-tier structure, in which the governors are both responsible for the corporation and expected to act in a judicial capacity, does not work. As a step towards something more professional, the new DG should be appointed to the first vacancy that appears among the governors.

Authoritarian bungling

IF THE French police had raided the offices of a broadcasting company in Paris over the weekend, a widespread British reaction would have been: how typically French—it would not happen here. Yet it does. It happened in Glasgow where the Special Branch raided the offices of the BBC and took away dozens of boxes of broadcasting material.

The first comment on that is that there is a great deal of humbug in the belief that Britain is considerably freer than elsewhere. Freedom is continually under threat of erosion by the authorities, whether central or local, and it is naive of the British to pretend that they have got the balance right between individual liberty and responsible government. What happened in Glasgow will have been watched with a mixture of sorrow and amazement in other democracies. It will have been watched with some delight in such countries as South Africa and the Soviet Union.

The second comment is that it is all of a pattern. The Glasgow raids may have been the most spectacular instance so far, but there appears to be a general rule. It is that whenever the British authorities get into a tizzy over security matters, they tend to make themselves look ridiculous. There is, it seems, a streak of authoritarianism in British government which is only slightly redeemed by the bungling incompetence with which it is executed.

Blunderbuss approach

Take the present case. It is probable that the Zircon spy satellite was a marginal affair. Otherwise the programme would never have been allowed to be commissioned in the first place: it would have been kept completely secret, like the previous government's modernisation of the Polaris weapons system. The Russians must have been expected to have known about it already and besides spy satellites have been recognised in arms control agreements as a national means of verification.

Yet when the authorities decided that something was amiss, they went in with a blunderbuss. The BBC was dissuaded from showing the programme, but it was apparently forgotten that Mr Duncan Campbell, its presenter, also worked for the New Statesman, which promptly printed the details. It is not as if Mr Campbell is some obscure journalist; he is known to the security services as one of the foremost experts in their subject with a talent for exposure. So the authorities look foolish whichever way you view it: either they should have stopped the programme at the start, or they should have dealt with it more intelligently.

No contact

There are some similarities with the case of Mr Peter Wright, the former MI5 agent whose book the British Government is trying to ban through the Australian courts. No such action was taken against Mr Chapman Pincher, the journalist who published much the same material in collaboration with Mr Wright four years ago. Indeed it seems that the Government specifically allowed the Pincher version to go ahead, though there is some confusion about how far Sir Michael Havers, the Attorney-General, was consulted, as Sir Robert Armstrong, the Cabinet Secretary, had embarrassingly to admit in the court proceedings.

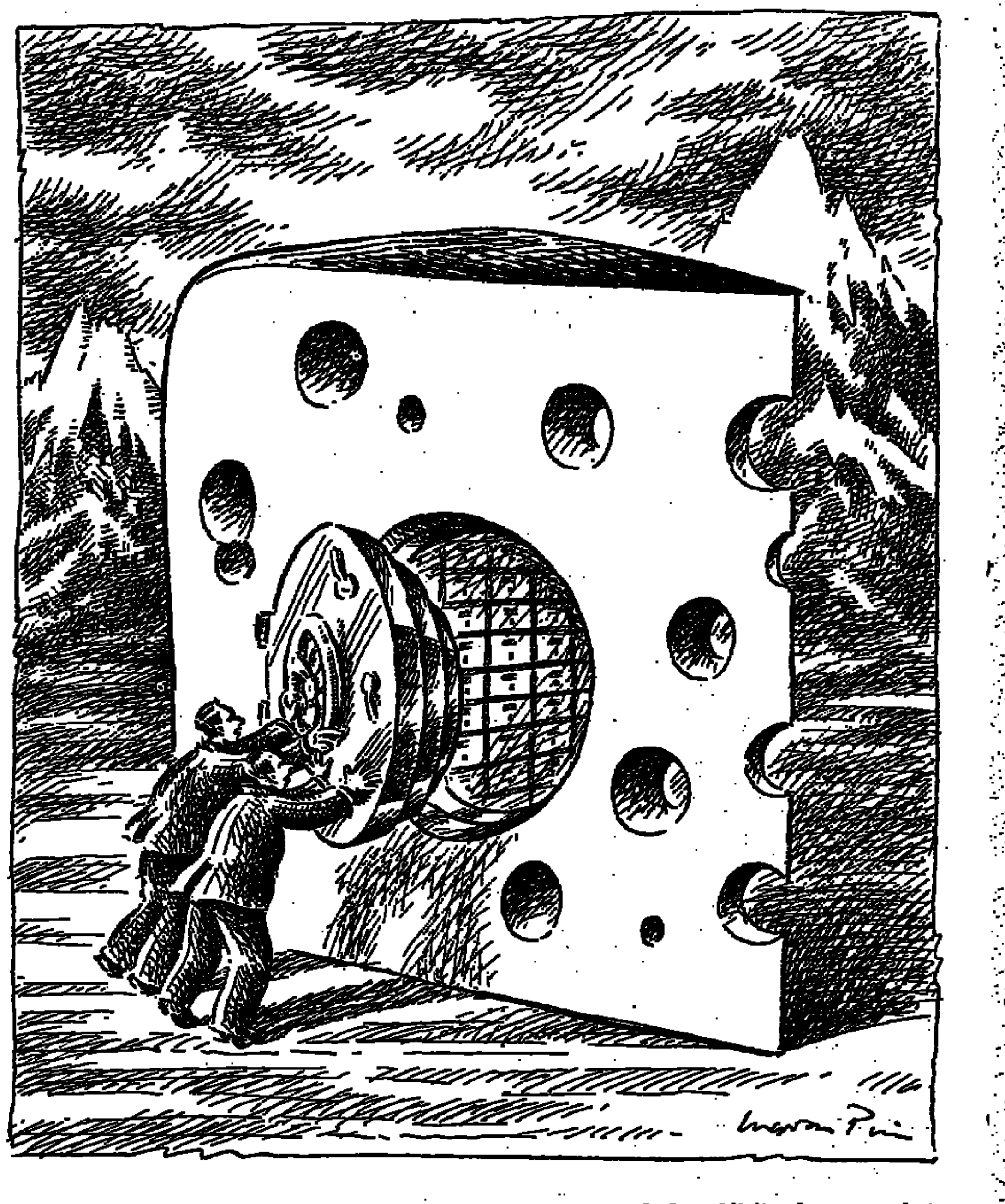
Both cases strongly suggest that the various arms of the British Government do not know what the others are doing. One would expect at the very least that there would be frequent contact between Sir Michael and Sir Robert who, among his other duties, has some responsibility for the security services. That appears not to be so. The result is that whenever matters go wrong, the very idea of a security service tends to become a laughing stock and the Government over-reacts in an attempt to mend its fences.

It need not be like that. It is perfectly possible to construct a case for an intelligence service, perhaps especially nowadays given the prevalence of terrorism. Even the strongest advocates of a freedom of information act admit that there will always have to be some official secrets. Apart from incompetence, much of the trouble seems to lie in an inability to classify what is really secret and what is not, with at the end of the day the balance tilting too far in favour or overrestriction and overreaction. If there are more absurdities like the Zircon case, the demand for a public inquiry into the handling of security will become irresistible. The Speaker of the House of Commons was quite right to grant an emergency debate for today.

SWISS BANKING

A hole in the secret heart

By David Lascelles



SWISS BANKS: strong stable—or havens for tax-cheats, insider dealers and corrupt dictators?

The discreet institutions which line the streets of Zurich, Geneva and Basle have long enjoyed a rather ambiguous reputation in the public mind, at least outside Switzerland. On the one hand, they are among the few banking institutions left in the world which qualify for the top class AAA credit rating. But the darker side of Swiss banking has been exposed in the past 12 months by a string of financial and political scandals, which have reinforced the view that if someone has a Swiss bank account, it can only be for a shady reason.

The overthrow of President Marcos in the Philippines and of President Duvalier of Haiti, Irangate, the Dennis Levine insider trading case and the Guinness affair have opened up trails which led, in the end, to Swiss banks. The evidence has been doubly damaging to Swiss banking insofar as it has both tarnished its image and encouraged the belief that the country's famed banking secrecy, though enshrined in law, is not what it used to be.

This picture of Swiss banking—riddled, as the saying goes, as a piece of Swiss cheese — is one that bankers naturally reject. "The secrecy law plays its part. But that is not the only reason why people do business with us," says Dr Franz Lutolf, general manager of the Swiss Bank Corporation, the country's second largest bank and the one with the most international business. "There is also the economic and political strength of Switzerland, the strength of Swiss banks and the quality of the service."

Nevertheless, the constant battering of bad publicity is gradually reshaping attitudes among those once elusive gnomes. The very fact that Swiss bankers are now ready to speak out on matters of secrecy is an indication of a more defensive stance. Just as important, it is also prompting moves by the banks and the Berne Government to repair the damage by, for example, combatting insider trading and money laundering, and tightening the bank's obligation to check on their customers.

The most sensitive question for the Swiss is whether banking secrecy, the cornerstone of the business, remains as strong as it was. The secure reputation of a Swiss bank account suffered its biggest blow last year when the Berne Government blocked the deposits of ex-president Marcos to stop him transferring them out of the country. Normally, the Government can only act in response to a formal request for judicial assistance from a foreign country, and then only in cases of "double criminality" — where the account holder appears to have committed an offence which is criminal in both the requesting country and Switzerland.

But in the Marcos case, the Government was under strong foreign pressure to prevent the Marcoses spiriting away their millions, so it bypassed the normal processes and drew on special powers. In placating world opinion, however, Berne also drew the anger of Swiss bankers, who denounced the move as unnecessary and inappropriate.

When, a few months later, President Duvalier was overthrown, the Haitian Government managed to make a formal request to block his accounts, so the usual procedures were complied with.

In the Levine insider trading case, Bank Leu's Bahamas subsidiary supplied information to the Securities and Exchange Commission about the accounts of Mr Levine in order to protect its US business. Procedurally, this involved a lifting of Bahamian rather than Swiss banking secrecy. However, the Swiss have generally proved readier to co-operate with the US authorities because of the importance to them of the American market.

The Marcos case thus remains an extreme and isolated one, but it is also a precedent which Swiss bankers would prefer not to have to live with. Although Swiss voters rejected in a referendum two years ago a move to relax banking secrecy, there is a sense among bankers that foreign opinion will ensure that it remains a live issue. "The referendum never laid the ghost of secrecy," says a Zurich banker.

The Swiss emphasise that the foundation of banking secrecy—article 47 of the banking law—remains intact and that there is no intention to change it. Numbered accounts are still available. What is happening, though, is that many of the measures which Switzerland is having to adopt to protect the good name of its banking will limit the banks' scope. Mr Andreas Hubschmid, a lawyer at the Swiss Bankers Association, asks in an ironic tone: "What is the problem with Swiss banking secrecy? Is it that it exists, or that it is now full of holes?"

Later this year, for example, the Swiss Parliament is expected to enact a law that will make insider trading a criminal act, thereby adding it to the crimes for which foreign countries can seek judicial assistance in prising open Swiss bank accounts. The law has been broadly drafted and should be quite tough. A similar measure to outlaw money laundering is also being prepared by the Ministry of Justice and Police.

This will still leave tax evasion as a big exception—it is not a crime in Switzerland. But even that may be on the way. "Swiss public opinion is moving in that direction. I think we shall have a tax evasion law within ten years," predicts Mr Hans Baer, managing chairman of Bank Julius Baer, the Zurich private bank.

The controversy over Swiss banking happens to coincide with a review of the banks' voluntary good conduct code, and this is adding fuel to the debate about the limits of secrecy. The five-year-old code requires banks to exercise "due diligence" in establishing who the true beneficiaries of their accounts are. But it has one big loophole: clients can conceal their identity by opening accounts through a lawyer.

The Federal Banking Commission, the independent supervisory authority, has caused a stir by calling for an end to this practice on the grounds that banks must know with whom they are dealing.

Bankers and lawyers are still considering their response, but their initial reaction has been hostile. Lawyers say the abolition of Form B accounts, as they are called, would interfere with their relationships with their clients. Bankers fear they would lose business. Both groups, though, are in a bit of a dilemma: while the abolition of Form B may well frighten off clients, depositors who seek the double protection of bank and lawyer secrecy are also likely to be the most questionable.

But the commission is taking a firm line and says that if the banks cannot agree to change the code, it will issue a regulation to get rid of Form B. Whether it would actually escalate a confrontation with the banks in this way remains to be seen. But the commission's tough talk is seen by bankers as a sign of political pressure on it to take action, both to restore the good name of Swiss banking and to satisfy Swiss public opinion, which has never felt particularly warmly about banks despite the contribution they make to the country's revenues.

Another instance of the commission's readiness to act is its announcement of an investigation into Bank Leu—involved in the Guinness affair—even though there is no apparent breach of Swiss law. According to Mr Bruno Boesch, of the London office of Froriep Renggli, the Swiss law firm specialising in banks, the commission is making increasing use of article 3 of the banking law, which requires banks to conduct themselves in a proper fashion. This catch-all clause, he says, allows the authorities to look into unusual transactions if they feel Switzerland's image as an international financial centre is being harmed.

Quite how much damage the bad publicity has caused to Swiss banking is hard to gauge because, despite everything, it remains highly secretive. Bankers deny that they have lost deposits, but some of them are prepared to admit that they are getting less new business than before. "We are losing market share," says one of them — probably to Luxembourg and the Channel Islands, though he says these are the smaller, less profitable accounts.

But though Swiss bankers appear to be on the defensive, foreign observers of the scene also stress the Swiss capacity for pragmatism. If there is a greater willingness among Swiss bankers to co-operate and compromise in clear-cut cases of wrongdoing, it is because they recognise that it is in their business interests to be so.

Secrecy, after all, remains inviolate for clients who have nothing to fear from the law. While honest depositors may not be the wealthiest, they are probably the more reliable.

HOW BANK LEU SAILED STRAIGHT INTO A SEA OF TROUBLES

"PEOPLE WHO make investments need advice" proclaim the advertisements outside Bank Leu's headquarters in Zurich—an ironic comment on the bank's involvement in the Guinness affair.

Bank Leu (pronounced Loy) is under investigation by the Federal Banking Commission for buying 41m Guinness shares last year under an agreement whereby Guinness was to indemnify it against any loss.

Apart from causing further embarrassment to the Swiss banking industry, the affair is another blow to Leu, which is Switzerland's sixth largest bank. Last year, it was implicated in the insider trading case of Dennis Levine, the US investment banker, and in 1982 its deputy manager was sentenced to prison by the Italian authorities for aiding illegal currency transfers.

The official investigation into Leu is being made on the basis of article 3 of the Swiss Banking Act, which requires that bank managements "enjoy a good reputation and thereby assure the proper conduct of business operation." Another article (23) says that "where the Banking Commission receives knowledge of violations of the law or other irregularities, it will issue the necessary decisions to restore the rightful conditions and remove the abuses."

Leu has denied that it has done anything wrong, and it claims the transactions with Guinness were normal. However, according to official sources, Leu could face disciplinary action on two possible counts: first, on the moral grounds that it had engaged in actions which it should have repudiated; second, that even if it has broken no Swiss law, it should, as a bank operating internationally, have been aware of the possibility that it was breaking UK law.

The issue, officials say, is not one of secrecy since Guinness's new management has given its consent to Leu's co-operation with the authorities. The specific issue has to do with possible imprudence and also, more generally, with the damage the affair has done to the image of Swiss banking, and the need for the authorities to be seen to be taking action to repair it. The most widely expected outcome is that Leu officials, including Mr Arthur Fuerer—the chairman, who introduced Guinness's business to the bank—will be asked to resign and the bank will be publicly reprimanded.

Men and Matters

Every day a new joke

The great exodus from the White House continues. The resignation of Mitch Daniels—one of President Reagan's top political advisers—is just the latest in a stream of departures which has demoralised staff.

In recent weeks Larry Speakes, the President's chief spokesman, has announced his resignation to join Merrill Lynch on Wall Street. Alfred Kingon, cabinet secretary, is to become US ambassador to the European Community. And the National Security Council has been purged by its new minister Frank Carlucci.

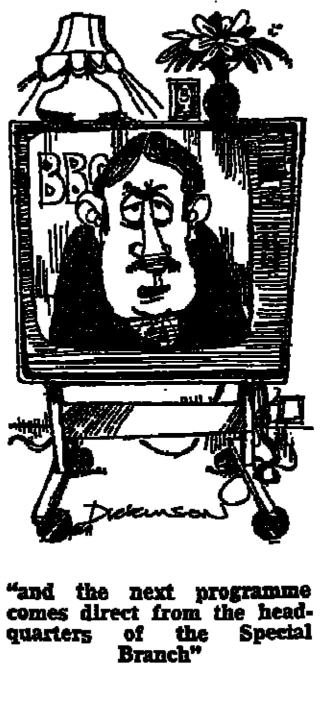
Other resignations reported imminent are Patrick Buchanan, director of communications and top speech writer, and James Miller, Reagan's budget director.

The loss of Daniels—who joined as recently as September 1985—is regarded as particularly serious. It reinforces the impression that Donald Regan, the abrasive chief of staff at the White House, is consolidating power by continuing to oust critics and rivals. It was Daniels who, six weeks ago, advised Regan that he should leave the White House because his presence was damaging the President.

In the end, however, it is Daniels who has jumped ship.

Few gave Regan a hope of surviving the Iran scandal. But the President, ever reluctant to sack one of his aides, has continued to support him in the face of opposition ranging from Nancy Reagan to virtually the whole of the Washington press corps.

Regan, who counts among his tasks the need to find a new joke for the President each day, has if anything strengthened his position.



"and the next programme comes direct from the headquarters of the Special Branch"

Four score

The Director General's hot seat at the BBC is not the only top job in British broadcasting that needs to be filled. Edmund Dell retires as chairman of Channel 4 in the summer and there is no sign at all that he will be appointed for a further term.

Ex-Labour minister Dell upset his former Labour colleague Lord Thomson by arguing vociferously for Channel 4 to have the right to sell its own airtime, as recommended by the Peacock report. The trouble is Channel 4 is a subsidiary of the IBA and the Authority is resolutely against such a policy.

The search for a new chairman is, however, not going all that well. Sir Peter Parker, former British Rail chairman, said "no," after a pause for thought.

People are now reaching for the name everybody thinks of when trying to fill a top job in British broadcasting—Paul Fox, managing director of Yorkshire Television.

Fox is being mentioned for both the BBC and Channel 4 jobs but would be unlikely to accept either. Certainly he has no intention of sending a letter to the BBC with Ref D.G. on the envelope. He was asked previously to apply and politely declined. The Yorkshire Television share options will probably keep him out of the running for Channel 4.

Lost boys

For a company noted for drug research, the Wellcome Foundation is positively butter-fingered when it comes to its research directors. It has just lost another one — Dr Ronnie Cresswell, group head of research, who has been poached by an unnamed company.

A 53-year-old Scot whose native accent is heavily overlaid by 20 years in the US, Cresswell took over as research head in 1985 as successor to the Nobel prizewinner Sir John Vane, who had gone back to academic life. During Cresswell's tenure Wellcome also lost the research head of its US subsidiary, poached by Glaxo.

Wellcome will not say where Cresswell is off to, since his new employer is not yet ready to make itself known. It would appear to be a commercial company, in pharmaceuticals but not as its main business, and not American. Nor is it ICI.

Into the breach steps Dr Trevor Jones, presently director of development for the group. Now in his late 40s, Jones started off as a lecturer in pharmacology at Nottingham University, moved into industry with the local drug company, Boots, and has been with Wellcome for 10 years.

High among his priorities will come the Wellcome research programme on Aids, where the group is developing a possible treatment. It is a position of some delicacy politically; but then Jones is already on the Medicines Commission, the main body which gives advice on drugs to the DHSS.

Contrary-wise

If you had to invent the ideal New York link for James Capel, consistent winner of the UK equity research stakes in recent years, it would be very like Sanford C. Bernstein. And Bernstein, the last independent Wall Street research house with real claims to be in the top 20, has duly signed an agreement that gives Capel world distribution for Bernstein's research products.

Bernstein is fond of taking up unfashionable investment causes, and has a reputation for picking the right things to be contrary about. It was a smart move to be bullish of US automotive stocks before Iacocca became a household name, and not a bad idea to be pushing oil stocks last year, when West Texas Intermediate was bumping along at $10 a barrel.

On the other hand, contrary thinking has sometimes got Bernstein into a little local difficulty when long-term forecasts take too long to come right; quarterly performance measurement and five-year views do not always mix. But Bernstein is hopeful that investors may be getting tired of the short term: "I remember when the horizon was one day; now I think it's gone to three months," he said yesterday.

Last word

Overheard in Harrods: "She would be an awful gossip if she'd any friends to speak of."

Observer

The Gulf War

Iran faces prospect of a troubled peace

By Michael Field

"ALL OF us would love to see the fall of Basra," a rich businessman in Tehran remarked last week. "This is something all of us want, whether we used to be for the regime or against it, because deep down we're all Iranians."

In recent weeks Iranians have come to believe that they are finally winning the Gulf war. People, who were tired of the war and cynical about it a year or two ago have suddenly become interested.

Iraq's bombing of civilian targets over the past month and the Iranian's sense that victory is in prospect, have been major factors in creating a new mood. Tehran has mainly escaped attack, but Esfahan, the holy city of Qom, Bakhtaran (formerly Kermanshah) and other cities have been bombed several times a day and the death toll has risen above 2,000. The effect has been the opposite of what the Iraqis intended.

Iranians have been angered by the civilian deaths and there is surprisingly widespread agreement that the Iraqis must be made to pay. The Iranians are determined to punish Saddam Hussein, Iraq's President, who launched the war in 1980 not, Iranians believe, because he felt threatened by subversion from Tehran, but in an attempt to establish himself as a dominant figure in the Middle East by winning a quick victory over a chaotic post-Shah Iran.

Whether Iranian determination would survive a military setback or another long period of stalemate is open to question. Most Iranians are tired of the war and desperately want to believe it will soon be over.

The economic cost of the war is enormous. However, the impact has been reduced somewhat by Saddam Hussein's recent decision to shift the emphasis of the bombings from economic targets such as power stations and refineries to the cities. Power cuts in Tehran have fallen as a result to only two hours a day from eight hours in December.

Raids on Iran's crude oil export facilities are in any case limited in impact. There is ample spare capacity at the main Iranian terminal on Kharg Island.

Similarly Iraqi attacks on the crude oil loading systems near the entrance of the Gulf are easily repaired. The main targets in the raids are storage tankers; given the current glut there is no shortage of ships to replace damaged vessels. In the last two months, Iraq has been unable to prevent Iran from exporting almost its full Organisation of Petroleum Exporting Countries' quota of 1.5m b/d.

The fall in the price of oil and the demands of waging war on Iraq, rather than Iraqi raids themselves, are primarily responsible for the country's acute shortage of foreign exchange. Foreign diplomats believe that slightly more than half this year's estimated foreign earnings of $7bn (£4.58bn) are being spent to support domestic war production and to pay for foreign arms.

All non-military imported items are in short supply. Some factories have had to close for lack of spares and raw materials.

The public is affected not so much by a general food shortage as by a lack of certain items. Cheese and butter are almost unavailable and milk is in short supply.

Despite the new mood of optimism in Tehran, the strains of the war could still cause Iranian morale to crack. Before the launch of their recent offensive, some Iranians were heard to argue that the conflict had become pointless—Iran had recovered the territory lost in the early days of the war, and Saddam Hussein was known to want peace. Whether such arguments would move the religious and revolutionary authorities, who are totally committed to the war, is doubtful.

Since Iran drove the Iraqis from its territory in 1982 it has always seemed more likely that Iraq will eventually crack, even though it may take years rather than months. Iran has a population of almost 50m, compared with Iraq's 16m, its troops are highly motivated and the front line is much closer to the Iraqi heartland than to that of Iran.

Although Iraq's equipment is much more sophisticated than Iran's, it lacks the will to go on the offensive. It has long been accepted in western military circles that Baghdad cannot win.

Iran's hope is that one of its offensives will cause the Iraqi army to turn on Saddam Hussein. Alternatively they hope that the fall of Basra, Iraq's second city, could lead to economic collapse and the possibility of a military and civilian revolt. At the least Iran will insist on the removal of Saddam Hussein and his Baath Party from power.

Despite the fears of western governments and the traditional regimes of the Arab peninsula, most reliable political observers on Tehran say that the Iranian Government will not attack the Gulf states and Saudi Arabia if it wins the war. There is no appetite in Tehran for further campaigns.

None the less, a victorious Iran would have powerful influence in the Middle East and would be an inspiration to Islamic fundamentalists everywhere.

At home, victory could bring a change in the Government. An end to hostilities would bring domestic problems to the fore. The confusion of government policy on such issues as land reform and the role of private enterprise, as well as the Government's failure radically to improve the income of the poor are likely to come in for sharp criticism.

Eight years after the revolution, Iran has still not decided what sort of Islamic state it wants to be. The pattern of its politics is one of manoeuvring factions.

On the left is the majority of the Cabinet, led by Mir Hossein Moussavi, the Prime Minister. Behzad Nabavi, Minister of Heavy Industry, who rose to prominence as leader of a hard-line Islamic gang in the street fighting that followed the revolution, and Hojatolislam Koeeniha, the Public Prosecutor, who led the students who occupied the US Embassy in 1979-81, are also prominent on the left, which favours more government control of trade.

Rafsanjani: represents the centre-left in a government dominated by faction fighting

Slightly left of centre is a group associated with Hojatolislam Rafsanjani, the pragmatic Speaker of Parliament, with whom the US *Government recently hoped to* deal. A little further towards the centre are Ayatollah Khamenei, the President, *Mohsin* Rafiqdoost, *Minister of* Revolutionary Guards, and about half the parliamentary deputies.

On the right are several factions associated with conservative ayatollahs, principally Azari Qomi, the publisher of the newspaper Ressalat, and Mahdavi Kani, the secretary general of the Tehran Militant Clergy Association. These men favour free enterprise but support severe restrictions on social freedoms for religious reasons.

Ayatollah Khomeini, the Imam—the leader of the Revolution—and his designated successor, Ayatollah Montazeri, are above the factions, and the politicians fight for their support. In fact, Ayatollah Khomeini often seems more a follower than a leader. Since *1979 he has often allowed the* revolution to take its own course, endorsing after the fact the policies of whichever faction has prevailed.

This faction fighting with the checks and balances written into Iran's constitution, creates immobility. The Government may propose legislation only to find it amended by parliament and thrown out altogether by the conservative ayatollahs in the Council of Guardians.

Despite these problems, the regime appears much more confident than in the early years after the revolution. It is more relaxed in handling its people —there are fewer sudden crackdowns on, for example, women showing too much hair below their scarves

Nonetheless, the middle class which largely survived the revolution, remains concerned about the future. Will the country become a conservative Islamic state, a left-wing one, or something in between? Such uncertainty discourages investment despite recent government moves to encourage industry and exports of simple manufactured goods.

The succession to Ayatollah Khomeini gives further cause for concern. While it is taken for granted that Ayatollah Montazeri will succeed as Imam, he is likely to be even more a figurehead than Khomeini. The most likely outcome is that the factional power struggle will intensify even further.

But it is the war itself which causes the greatest uncertainty. Until it ends, political and economic instability must remain a fact of life; and the *long-term character of the* Islamic Republic will remain an open question.

UK building societies

Oh! Brave, new (muddled) world

Hugo Dixon asks whether profitability or philanthropy should be the societies' goal

THE BUILDING SOCIETY movement, an industry which controls £137bn in assets and dominates Britain's home loans and savings markets, appears to be suffering from an identity crisis.

This is not so much a practical problem of day to day conduct as a deeper, philosophical point. *It is best illustrated by* the fact that societies cannot articulate their own objectives.

Most businesses, however complex their corporate strategies, know that they exist primarily to make profits. Building societies are different. Creatures of the 18th and 19th centuries, they are mutual institutions, do not have shareholders in the accepted sense of the word and do not distribute dividends.

The far-reaching 1986 Building Societies Act has made it essential for societies to know exactly what their purpose is.

Societies are now allowed to diversify from their traditional savings and home loans businesses into a wide range of new banking, housing and investment services. Without a guiding principle their diversification strategies will lack coherence and there will be no yardstick against which to judge how well they are doing.

It was after the Second World War, when societies started expanding beyond their home bases, losing their local contacts, that the identity crisis became acute.

Shareholders (building society jargon for depositors) exerted no discipline, so societies' manager were free to do what they liked. Unsurprisingly, they went for growth.

This growth ethic reached its apogee in the 1970s. Societies went on spending sprees, building up nationwide branch networks and paying out millions of pounds on advertising campaigns to try to expand their customer bases. But little thought was given to how profitable or beneficial such expansion would be to existing customers.

From the 1980s, a reaction set in as banks started moving into the home loans and savings markets with a vengeance. Societies found they could no longer grow so quickly unless they allowed their profitability to fall.

As Mr Tim Melville-Ross, chief executive of the Nationwide Building Society, the UK's third largest, puts it: "Growth for growth's sake was not a suitable objective."

The new act will lead to a fresh spate of competition, making attention to profits even more important. "In order to do what we want to do, we have to have financial strength," says Mr Jim Birrell, operations director of the Halifax Building Society, the UK's largest.

Other societies agree. But, if they need profit to achieve some further objective, what is that objective?

One reply is that profit is a goal in itself. Mr Peter Birch, chief executive of the Abbey National Building Society, the country's second largest, seemed to be taking this position when he said recently that, in determining which new businesses societies should enter, "the aim must first and foremost be to make a profit."

But since societies lack shareholders to whom they can distribute their profits, it is difficult to see how profit can be a goal in its own right.

Another answer, given by Mr Birrell, is that "profits are there to enable expansion." But this begs the question "why expansion?"

Yet another factor is that societies have a social responsibility and, to fulfill it efficiently, they need a minimum level of profits. This is the thinking behind several societies' plans to help regenerate the inner cities and revive the rented housing market.

As Mr Melville-Ross says, societies should be philanthropic, not materialistic, institutions. That would be an adequate answer to the identity crisis if he did not then add that societies have to invest in social infrastructure to protect their markets for the long run.

This view of twin objectives is a philosophical muddle. It cannot help a building society determine its course of action when the profit motive conflicts with philanthropy.

Some societies, for example, are now trying to devise financial packages to help revive the rented housing sector. However, they stress that they are not part of the welfare state and cannot make profits out of rented housing without a government subsidy.

If profit were to be made the prime objective, societies would first have to shed their mutual status and become public companies. The need to satisfy dividend-hungry shareholders would then give them every incentive to maximise profits.

Under the new act, they will be able to become public companies from 1988. Unfortunately, the mechanics of doing this are the subject of further confusion. Who will get the proceeds of a flotation: today's depositors or tomorrow's shareholders?

This question, a version of which so exercised the TSB in the run-up to its £1.5bn flotation last year, has no obvious answer: neither group has done anything to build up societies' net worth—previous generations of depositors, who are *long since dead, did that.* But it is important to know, as whoever gets the proceeds stands to make a massive windfall profit. The industry as a whole would fetch something in the region of £10bn on the open market.

The second way out of the muddle would make philanthropy the prime objective and profit a subservient objective. This could best be done by leaving societies' mutual status untouched.

However, as everybody has a different idea about how to help other people, somebody would have to be given the job of deciding. Should it be the managers, the depositors or a third party such as the Building Societies Commission, whose main responsibility is to ensure they are prudently run. It is not clear which.

But whether societies incline towards profit or philanthropy, they will have to decide between the two before they can set sharp objectives for their day-to-day planning.

Letters to the Editor

Investment monitoring

From Mr P. Haines

Sir,—If the accusation, made by Mr D. Allison (January 20), is justified, that fund managers are interested in short term profits at the expense of long term investment, then I am as saddened as he is.

I must, however, take issue with his assertion that this is the fault of the performance monitoring industry for failing to create a proper yardstick against which to compare UK pension fund managers. His criticisms seem to be based on three factors, namely the period of assessment, the use of market values, and no measurement of risk.

It is undoubtedly true that investment managers are replaced on a more frequent basis now than they were 20 years ago, but as this is almost certainly as a result of trustees taking a much more active and positive interest in the assets of their pension funds, surely this must be a beneficial development. A manager should be allowed at least five years in which to demonstrate his investment ability, and there is clearly a need for all investment consultants to stress the necessity of assessing performance over a sufficient timeframe. One wonders, however, whether some investment managers have not themselves contributed to this concentration on short term performance: rarely does an investment manager produce an economic forecast based on more than the next 12 months.

If five years is considered insufficient, then it must be asked how long is considered necessary to allow an investment manager to lose money for a pension fund, relative to his peers, before trustees take action? If they feel that a longer period is necessary, can investment managers demonstrate that they would actually incorporate such a time-frame into their decision making processes?

Mr Allison refers to market values as "ephemeral." Ephemeral or not, market values do have the virtue of objectivity. Methods which would value stocks by, for example, discounting future income would depend crucially on assumptions made by the performance monitor himself: would be such a high degree of subjectivity be acceptable to the investment management industry as a whole? Furthermore, although the "value" of an individual security may not be adequately reflected by its market value, such distortions have relatively little impact when performance is assessed over a five year period. The portfolio being assessed consists of a large number of stocks, and comparison is against managers in a similar situation all of whom would suffer more or less equally from any general distortion in market levels.

I agree that performance monitoring is not complete without some assessment of the risk inherent within a portfolio. Many investment managers recognise that performance statistics are there to help trustees and to enhance the relationship betwen trustees and the investment manager and do not view them with such hostility. No investment manager worth his salt prefers to keep from trustees the facts about investment performance, and thus protect himself and his colleagues from the competitive elements which they are, in general, keen to encourage upon the rest of the UK economy.

Paul Haines,
Noble Lowndes Investment Monitoring.
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Measures of performance

From the Finance Officer, Nuffield Foundation

Sir,—Mr Allison (January 20) rightly protests at institutional investors' preoccupation with short-term performance measurements.

To my mind the existing measurement techniques overemphasise changes in capital value in the short term. The measurement of "total return" (income plus capital appreciation of less capital depreciation) involves combining two qualitatively different elements of return. Only in retrospect and in the event of liquidation or sale and distribution of the profits are capital returns actually the same as income returns. Whereas in prospect the income component is usually predictable, the capital component is less predictable and fluctuates widely because it is a reflection in capital terms of changes in information and perceptions about future income flow. Inevitably it tends to move by large amounts which are a multiple of expected income changes (approximately the price-earnings multiple, whether for property or shares). We have all seen how a small change in a profit forecast can produce a capital fluctuation which exceeds several years' income. Another aspect of the difference is that an income return can only be positive, whereas a capital return can be either positive or negative, especially in real terms. In this respect all income-producing investments are similar. They all display fluctuations in capital value which are a multiple of changes in real income flow. The effect is that income returns are about this year's money, whereas capital fluctuations are about future years' money, extending over perhaps ten years.

Is this then the fallacy in the total return concept, when used for short periods of a year or less? Since institutions can not normally liquidate all their capital returns and leave the markets altogether, they are likely to encounter obverse fluctuations in future periods. These, if simply added to income flows, may obscure the long-term target of income growth which underpins capital growth.

How could capital fluctuations be discounted? If it is accepted that capital fluctuations relate partly to future periods, logic might suggest a form of spreading of capital fluctuations over longer periods, perhaps by some form of moving average. But it would be foolish to suggest a particular basis until it becomes evident that others are sympathetic to this purpose, which is to reduce the emphasis in performance measurement of short-term chance elements.

R. C. Marshall.
28 Bedford Square, WC1.

Not for widows or orphans

From Mr A. Murdoch

Sir,—There has recently grown up a habit in takeovers, especially where they are contested, which is giving me some cause for concern. This practice is the unsolicited telephone call to small shareholders trying to persuade them either to accept or to reject a bid.

Several clients have been approached on the telephone with regard to such shares. Those who have talked to me about this have, possibly by chance, all been female. They have all been rung up during the evening usually between eight o'clock and nine o'clock at night and they have all, in fact, been small shareholders. One lady of 92 was telephoned at 8.30 pm. Her shareholding consists of 2,130 shares which I had bought for her on September 20 last year. Another lady in her eighties, whose shareholding is held as a trustee for her late husband, was telephoned even later at night and she only has 3,000 shares which have been held for many years.

It seems to me wholly undesirable that companies, or their merchant bank advisers, should approach these sort of shareholders inevitably causing worry and anxiety. This must be the case, particularly when it is unlikely that such a size of shareholding will affect the outcome of the bid.

A. W. Murdoch,
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How not to teach mathematics

From Mr W. Manser

Sir,—It is not marketing skills, as suggested by Michael Dixon (January 30) that mathematics teachers need. It is articulacy.

People are either numerate or literate: very few are both. Mathematicians are by definition numerate. Teachers have verbal skills, or they have nothing. Consequently, very few mathematicians can teach. I have an undimmed memory of my own maths master illustrating a garbled utterance on the concept of infinity by drawing two parallel lines on the blackboard and propounding that infinity was where they met. When his class objected, with mild indignation, that they plainly met neither at infinity, nor anywhere else, he consummated his case to his own satisfaction by pointing out that infinity=0.

Perhaps it might on the *whole* be better, *at least* for primary and lower secondary school purposes, to seek out good expositors and imbue them with the elements of mathematics, for onward transmission. In the upper reaches of school and university the students will be numerate anyway, and they and their lecturers will be able to understand one another — without using English at all, as it often seems.

The above will explain why mathematicians and, in this econometric age, economists, often seem to be beyond ordinary intellectual grasp. It is not that they are necessarily arcane; it is that they are unintelligible. They are unhappily unable to speak our language. This also explains the great reputation and influence of some mathematicians and economists, the Einsteins, Hoyles, Keyneses and Fried*mans. They are that rare com*bination of numeracy and literacy. They may not even be good mathematicians and economists, for all we know. But they are commanding because they are understood. It also explains why economists are derided by politicians, who are literate.

W. A. P. Manser.
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FINANCIAL TIMES

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US–Bonn divisions begin to show

David Marsh looks at the strains being placed on West Germany's relationship with the US by widely differing approaches to the problems of terrorism and trade.

A STRING of differences between Washington and Bonn over political and economic developments is starting to test the generally good working relationship between the US and West German governments.

Mr Helmut Kohl, the West German Chancellor, re-elected with a reduced majority in the January 25 elections, frequently faced opposition criticism during the run-up to the poll that he was following too closely a pro-US line.

Mr Kohl's standard, somewhat apologetic, rejoinder in recent months has been to say that he is no "vassal" of America. As pressures build up in a number of areas from trade policy to Bonn's position over two German hostages held in Lebanon, the chances are that Mr Kohl will have to repeat the excuse a little less often in coming months.

Reflecting West Germany's peculiar position at the seismic fault-line between East and West, as well as the sometimes strained US role as guarantor of the country's security, there is nothing unusual about periodic ups and downs in the relationship between the two allies.

In contrast to the personal antipathy between his predecessor, Mr Helmut Schmidt, and Mr Jimmy Carter, Mr Kohl prides himself on a staunch – although not necessarily very profound – understanding with President Ronald Reagan.

What is new, however, about the latest transatlantic tensions is that they stretch across a wide variety of topics – and touch on a new-found self-assertiveness in Germany above all in areas of trade and high technology.

According to both US and German officials, strains are coming to the surface for two main reasons: the massive American trade deficit and the weakening dollar, and the diplomatic overtures made towards Europe by Mr Mikhail Gorbachev, the Soviet leader.

Allied to this, the Reagan Administration has generally lost credibility as a result of the morass in Washington over the Iran weapons affair.

In particular, this episode revealed the limits of America's own advertised tough policy over dealing with international terrorism. It may yet have an effect in influencing Bonn in favour of a softer line in trying to obtain the release of two company officials seized by guerrillas in Beirut last month.

One option which seems not to have been closed is that West Germany, to allow time to bargain free the two men, could hold up the extradition to the US of Mr Mohammed Hamadei, a Lebanese arrested in Frankfurt last month for the hijacking of an American airliner in 1985.

Recognising that the US has already lost some of its ability to give a moral lead over terrorism, officials here say that Washington is showing "sensitivity," in not pressing Bonn for immediate extradition of Mr Hamadei.

The Bonn Government has imposed a news blackout over the hostage drama. But over an only slightly less explosive issue – trade policy – the Americans themselves have been making the most noise.

Mr Richard Burt, the US Ambassador to Bonn, has twice during the last 10 days sounded off fierce open criticism over what he labels European protectionism in aerospace, armaments and agriculture.

Apart from hitting out at European subsidies over the Airbus – of which Bonn remains a strong political supporter – Mr Burt has also surprised some German officials by appearing to attack German weapons procurement policies.

Officials say that the US is concerned over West Germany's practice of building combat aircraft and weaponry in collaboration with other European countries rather than ordering material from the US.

Although the bilateral trade balance in military equipment remains strongly in the US's favour, the German deficit is now being steadily reduced, officials say.

US officials are also worried that the campaign of diplomatic seduction towards the West undertaken by Mr Gorbachev could tempt West Germany to take a less strict line in its *Ostpolitik*, for instance over exports of sensitive technology to Moscow.

Bonn–Moscow relations were strained at the end of last year by Mr Kohl's comparison of Mr Gorbachev with Josef Goebbels, the Nazi propaganda chief. But unease among Washington hawks over German policies is likely to have been strengthened by the weekend speech by Mr Hans-Dietrich Genscher, the Foreign Minister, in which he called for Mr Gorbachev's new policy style to be taken seriously.

Reflecting on the problems faced by President Reagan over the Irangate affair, one close adviser to Mr Kohl said, "Gorbachev is now on the sunny side." And, underlining the difficulties which may still lie ahead for the US over the dollar, he added: "The Americans still do not understand that the fall of the dollar could damage their influence in the whole world."

Olivetti in computer venture with GM unit

BY ALAN FRIEDMAN IN MILAN AND DAVID THOMAS IN LONDON

OLIVETTI, the leading Italian information technology group, and Electronic Data Systems (EDS) one of the world's largest software and computer services companies, are expected to announce today a new joint venture company to provide computer integrated systems for manufacturing companies.

The new venture will aim to become an important force in the rapidly growing market for computer integrated manufacturing systems.

It also represents an important move for both Olivetti, which has been traditionally weak in software, and EDS, a subsidiary of General Motors of the US, which is keen to build up its presence outside the US.

The new company, to be called Integrated Systems Management and to be based in Milan, will offer tailor-made mainframe and minicomputer systems which compatible telecommunications links mainly to manufacturing customers.

Besides helping to solve Olivetti's software problems, it will also mean Olivetti expanding its computer servicing activities beyond the realm of the personal computer, which it produces in large numbers.

However, Olivetti does not intend to begin making mainframes as a result of the deal. Under the deal, corporate customers of the new venture will not be restricted to Olivetti hardware.

The venture is part of Olivetti's overall strategy of forming a limited number of key international accords designed to increase sales volumes and reach new markets. Last month, Olivetti announced a joint venture with Canon of Japan to make copiers, laser printers and facsimile transmitters.

For EDS, the new venture is an opportunity to build up its operations first in Italy, where it has little presence, and then in the rest of Europe by using Olivetti's extensive contacts.

The new venture is to begin operating in Italy but then hopes to move rapidly into other European markets.

US may remove telephone company curbs

By William Hall in New York

THE US Department of Justice has recommended lifting the bulk of the restrictions on the business activities of the seven regional Bell telephone companies, permitting them to manufacture telephone equipment, provide information services and enter the long-distance telephone market.

The Justice Department's sweeping recommendations come three years after the break up of AT&T, which had dominated the US telephone industry for more than 100 years. They reflect the US Administration's efforts to inject more competition into the local telephone system and help the regional Bell operating companies to begin competing more forcibly in international markets.

As part of the 1982 court agreement paving the way for the breakup of AT&T, the Bell operating companies, which have a monopoly on local telephone services, were not allowed to compete with their former parent in the long distance telephone market. They were also barred from providing information services, manufacturing telephone equipment and entering into any non-telecommunications business.

The regional Bell telephone companies were quick to welcome the Justice Department's report, but AT&T reacted angrily to the recommendations. Mr Charles Marshall, AT&T's vice chairman, said that "three years ago the Justice Department broke up the finest telecommunications business in the world – the Bell system – so it could put in place new rules for the industry. Now that same Justice Department wants to change the rules again and risk recreating the chaos that characterised the industry just a few short years ago."

Bank of England chief issues warning on takeover controls

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MR Robin Leigh-Pemberton, Governor of the Bank of England, last night issued his sternest warning yet to the City of London to respect the UK Takeover Code or risk the imposition of statutory controls. "If that is the price that we have to pay for effective enforcement and sanctions, then pay it we shall," he said.

Mr Leigh-Pemberton, who was addressing the Overseas Bankers Club banquet at the Guildhall, said he still hoped that it would be possible to strengthen the Takeover Panel, the City's voluntary body which administers the Code, by non-statutory means. But he warned that the City would have to show its willing and constructive support to head off legislative action.

It was wrong, he said to imagine that US houses with their aggressive and legalistic approach, were the only ones who did not accept the authority of non-statutory bodies. British houses had not been "uniformly compliant" in this regard. But if the panel's status was changed, it would lose the qualities of speed, commonsense and flexibility.

The Bank is currently engaged in discussions with the panel and other City institutions to find ways of strengthening its role and improving the conduct of takeovers. The govenor said last night that he believed the self-regulatory bodies being set up under the Securities and Investments Board might also have a role to play.

Mr Leigh-Pemberton also warned that 1987 could throw up more difficulties with Third World debt.

Morgan Grenfell recasts management

BY OUR BANKING CORRESPONDENT IN LONDON

MORGAN GRENFELL, the British merchant bank, yesterday installed a new management structure as it began the task of repairing the damage caused by the Guinness affair.

Top authority in the group is to be vested in a new executive committee consisting of directors responsible for all of Morgan's main lines of business, under the chairmanship of Sir Peter Carey, the former civil servant who has assumed control of the bank.

But the changes do not include the appointment of a new chief executive to replace Mr Christopher Reeves who resigned two weeks ago, along with Mr Graham Walsh, the head of the corporate finance department. Morgan still hopes to appoint a new chief executive, and Sir Peter told staff yesterday that this was "not a role I purport to fill."

The 10-man executive committee will include directors from the board level as well as directors closely concerned with the group's day-to-day operations. This is intended to bring younger blood into the management and strengthen the senior ranks. Sir Peter said the appointments "draw on our great reserves of talent and initiative," and will mean that "a wider range of directors will be actively involved in the day to day management of our business."

Each of Morgan's four main business streams will have an operating committee whose chairman will have a seat on the executive committee. These are Mr Michael Dobson, who is in charge of asset management, Mr Richard Webb, recently appointed head of corporate finance in succession to Mr Walsh, Mr Christopher Whittington, in charge of debt securities and banking, and Mr John Holmes, who runs Morgan Grenfell Securities, the equity subsidiary.

The other members of the executive committee are Lord Pennock, Sir John Sparrow, Mr Blaise Hardman and Mr Jon Perry, all group directors, and Mr John Rawlings and Mr Charles Rawlinson, the group vice-chairman.

Morgan is also setting up a new supervisory committee which will be responsible "for preseving the integrity of the bank." Its job will be to ensure that Morgan does not suffer a repeat of the Guinness affair where its observance of the regulations has been under question. This committee will be chaired by Mr Whittington.

The effect of all these changes is intended to be that Morgan will have stronger, more direct management, and more formalised controls. This marks a radical shift from the management philosophy of Mr Reeves who believed that merchant banking was basically a creative business that thrived under minimal management control.

The announcement failed to impress the stock market where Morgan's shares fell 4p to close at 417p.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Dubrovnik	C	10	50	Malta	–	—	—	Rhodes	F	18	64
Algiers	S	21	70	Edinburgh	R	4	39	Manchester	r	5	41	Rio de J'o	C	36	97
Amsterdam	S	0	32	Faro	F	16	61	Manila	c	30	86	Rome	S	10	50
Athens	C	11	52	Florence	C	7	45	Melbourne	S	39	102	Salzburg	S	-5	23
Bahrain	S	21	70	Frankfurt	S	-2	28	Mexico City	C	24	75	San Francisco	R	13	55
Bangkok	S	32	90	Funchal	F	18	64	Miami	C	18	64	Seoul	Sn	-3	27
Barcelona	F	13	55	Geneva	C	-2	28	Milan	S	-1	30	Singapore	F	28	82
Beirut	C	24	75	Gibraltar	R	15	59	Montreal	Sn	-7	19	Stockholm	F	-2	28
Belfast	S	10	50	Glasgow	C	5	41	Moscow	C	-3	27	Strasbourg	C	-5	23
Belgrade	C	-5	23	Guernsey	R	6	43	Munich	S	-9	16	Sydney	S	31	88
Berlin	S	-5	23	Helsinki	D	1	34	Nairobi	S	27	81	Taipei	F	17	63
Biarritz	F	14	57	H. Kong	S	21	70	Naples	S	11	52	Tangier	R	14	57
Bombay	–	—	—	Innsbruck	S	-2	25	Nassau	S	24	75	Tel Aviv	S	29	84
Bordeaux	C	9	48	Inverness	F	7	45	New Delhi	S	24	75	Tenerife	S	21	70
Brussels	S	3	37	Islamabad	S	23	73	New York	F	2	36	Tokyo	Sn	2	36
Budapest	S	-7	19	Istanbul	C	5	41	Nice	C	9	48	Toronto	C	-1	30
B. Aires	S	27	81	Jakarta	C	31	88	Nicosia	S	20	68	Tunis	S	15	59
Cairo	S	29	84	Jersey	D	5	41	Oporto	C	13	55	Valencia	F	16	61
Cape Town	C	25	77	Jo'burg	S	26	79	Oslo	C	-7	19	Venice	S	3	37
Caracas	C	25	77	Lima	C	26	79	Paris	S	1	34	Vienna	S	-6	21
Casablanca	C	17	63	Lisbon	F	15	59	Peking	S	3	37	Warsaw	S	-1	30
Chicago	F	-3	27	London	F	6	43	Prague	Fg	-12	10	Washington	F	3	37
Cologne	S	0	32	Los Angeles	S	9	48	Reykjavik	F	-1	30	Zurich	C	-7	19
Copenhagen	S	-1	30	Luxembourg	S	-3	27								
Corfu	C	13	55	Madrid	F	10	50								
Dallas	–	—	—	Majorca	F	15	59								
Dublin	F	10	50	Malaga	F	16	61								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus rebuff for US

Continued from Page 1

ble if the dispute was not resolved. At their briefing, the US officials declined to speculate on the likely nature of such retaliation, although among other things, it could incorporate barriers to European aerospace exports to the US.

However, Mr Smart also moved to play down fears that events could take such a bitter turn. "Neither side is locked into any particular course of action ... We don't want it to be the source of a trade action," he said.

Mr Pattie said that neither on the question of subsidies nor on market distortion did Europe have a case to answer. US Defence contracts to its aerospace industry, which incorporate a hidden subsidy, amounted to $47.5bn over the past 15 years, while over more than 1,000 US-built large passenger aircraft were operating in Europe compared with only 60 Airbuses within the US.

The UK especially found it "slightly bizzare" that the US should be crying foul over Airbus competition. British Airways had recently contracted to purchase Boeing 747 jets worth $2.6bn and the British Government had opted for the Boeing Airborne Warning and Control System (AWACS) for the RAF last year.

The US is to seek speedy clarification of the aircraft rules within the framework of the Gatt, but Mr Pattie said that this would inevitably take a long time, although the European side was prepared to discuss the matter in that forum.

Charles Schwab: buying back brokerage

Bank America to sell Schwab

By William Hall in New York

BANKAMERICA, the struggling US West Coast banking giant which is trying to fend off an unwelcome takeover approach from First Interstate, has agreed to sell its profitable Charles Schwab discount brokerage operation back to Mr Schwab, the company's founder, for $230m.

The sale is the latest sign of the major restructuring underway at BankAmerica. It follows the recent sale of the group's highly profitable Italian banking subsidiary to Deutsche Bank for $603m and that of the group's consumer trust business to Wells Fargo for $100m. In a separate announcement yesterday, Bank of America said it sold its UK mortgage subsidiary to Bank of Ireland for £25m ($37.5m).

CL Acquisition Corporation, a new company formed by a group of investors led by the 48-year-old Mr Schwab, is buying America's biggest discount broker for $175m in cash, and $55m of 9 per cent junior subordinated debentures.

BankAmerica, which bought Charles Schwab in 1983 for $57m, has the right to receive 15 per cent of the appreciation in value of the common equity of the new company over eight years. BankAmerica has also assigned to CL a $50m note evidencing an advance to Schwab, in exchange for $50m 10 per cent senior subordinated debentures.

Charles Schwab has been one of the few lucrative investments for the troubled banking group and BankAmerica expects to report a pre-tax gain of $130m on the transaction.

While the sales are enabling the group to make some handsome gains on its assets and bolster its capital ratios, analysts continue to be concerned about the quality of the group's loan portfolio and the above average credit losses.

Mr Tom Clausen, BankAmerica's chief executive, said that the group had shifted its strategy to concentrate its resources on its banking operations. "The gain from the Schwab sale will strengthen our capital position, thus enhancing our banking services capabilities," said Mr Clausen yesterday.

Mr Schwab is known to have been increasingly restive at BankAmerica and resigned from the board last year following growing concern at the group's mounting financial problems. He says that the repurchase of his company will enable it to expand the scope of its services offered to customers beyond those permitted by more restrictive banking laws which governed BankAmerica.

However, Schwab will continue to maintain ties with BankAmerica.

David Lascelles in London writes: Bank of Ireland's purchase of Bank of America's UK mortgage subsidiary will greatly increase its UK presence and underline its policy of international diversification.

BankAmerica Finance is estimated to have earned £5.4m last year. Its total assets are put at £850m, and net assets at £7m. It specialises in residential mortgages, mainly to the upper end of the market among higher income groups and in the south-east of the UK.

Volcker urges slower growth

Continued from Page 1

pects for an early meeting of the Group of Five industrial countries diminished. The five have ruled out a meeting this weekend and there are indications that their next talks will not be until the April meeting of the International Monetary Fund.

The dollar had risen strongly at the end of last week in response to an apparent improvement in the US trade position, but yesterday a generally bearish view of the currency's prospects remerged.

The US currency closed in London at DM 1.8075, 2.45 pfennigs lower than on Friday, while sterling gained 1.05 cents to end at $1.5240.

THE LEX COLUMN

The beginning of the end

Markets are supposed to discount future developments, but there is something a touch ridiculous in the behaviour of the market in Glaxo shares at present. Yesterday, the price was up by the best part of £1 to £13.77 in anticipation – it was being said – of an investor presentation that is due to take place in three weeks' time.

The right price for Glaxo may well be nearer £20, but the way it is getting there smacks of the Indian Rope Trick. And the upward movement in the London equity market – breaking new ground again yesterday – seems so dogged as to be cause for some suspicion.

T-Line/Taddale

Taddale Investments was once an extremely speculative stock even by the speculative standards of the OTC market. Despite the disgrace and probable death of Michael Carlton, former deputy chairman, and an apparently successful re-bore, the name Taddale must still be burdened with heaps of negative goodwill. Which, at first sight, makes it a surprising subject for a bid from the aspirant conglomerate Thomson T-Line.

There is also some frightening symmetry between TTL's agreed offer and Taddale's disastrous bid for Branon, and the fact that Mr Carlton and the T-Line team at different times shared a taste for the same shell company. But enthusiasm for the new-look TTL seems strong enough to ride such spooks.

Most of Taddale's businesses are now profitable and should produce close to £2m pre-tax this year, adding some earnings to complement TTL's previous asset-rich acquisition of Longton. Conglomerates on multiples of 40 are, moreover, in business to buy conglomerates on multiples of 12.

Nevertheless investors in TTL must be praying that they inherit no worse than the visible skeleton of a £1.7m claim from a Swiss bank.

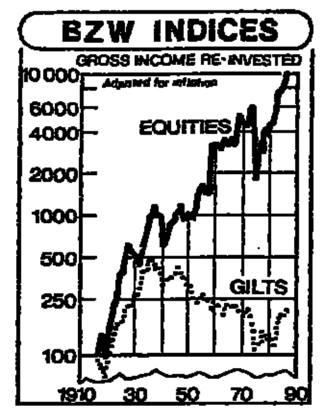
RTZ

The similarity between business and chess has rarely been so clearly illustrated as by Rio Tinto-Zinc's long range manoeuvring in the oil sector. The news that RTZ has spent about £12m bringing its stake in Lasmo up to 29.9 per cent is not as such surprising; but the timing is odd. Having made the judgment a year ago to use Lasmo as the cutting edge of its long term strategy RTZ could have acquired these shares at half the current price of 188p during the oil price nadir last summer.

The obvious conclusion being drawn yesterday was that RTZ had put a floor of about 180p under the Lasmo shares. On the terms of the original deal with Lasmo, RTZ may not bid until December. Under Stock Exchange rules, RTZ cannot bid at lower than any acquisition price made during the previous 12 months. So RTZ is not so much putting a floor under the price, as giving itself the ability to make a low bid quickly if the oil sector turns very nasty again next year.

It may not be accidental that the day before RTZ's latest finesse, Enterprise oil shareholders voted through the deal giving ICI a 25 per cent stake in their company. With RTZ's grip on Enterprise loosened somewhat, it does no harm to tighten its hold on the bird in the hand.

Having bought into Lasmo at 230p, and sold out of enterprise at 150p, RTZ has taken a book loss on its middle-game strategy. But a year is a short time in the perspective of RTZ, and there are almost two years to go before Enterprise's golden share is redeemed. The opening of this game is over, but the end-game is still some way off.



Long equities

An annual real return of 7.3 per cent over a sustained period should satisfy all but the most demanding investor. But where can such a splendid investment be found? One need look no further than the UK equity market, for that is the return since December 1918, as computed by Barclays de Zoete Wedd (BZW).

In the calculation, gross income has been reinvested. But even a top-rate taxpayer would have made 3 per cent per annum more than inflation. In recent years the performance has been even more remarkable.

Starting at the low point in the market, the end of 1974, the annual return has been 17.5 per cent, and over the last five years has exceeded 20 per cent. By contrast the real return on gilt-edged has been paltry at 0.9 per cent a year since 1918, and 5.7 per cent since 1974.

While this sort of study may have little predictive value, lessons can surely be drawn. Reinvesting a rising stream of income from shares has been a surefire way to make money. In capital terms the equity market has merely quintupled since 1918, and has yet to regain the level of 1968.

With the help of gross dividends it has multiplied more than 100-fold. A more detailed look at individual years suggests that equities are not the great inflation hedge they are made out to be. Indeed they do best when inflation is low or negative, and worst at times when inflation is taking off. Then short-term homes like Treasury bills are usually the least bad investment.

This leads to the conclusion that gilts are a poor deal, underperforming equity bull markets, and less defensive than cash in the downturns. The yield gap has generally been insufficient to even up the returns, casting some historical doubt on whether the current 6¼ per cent difference is wide enough.

US auction

This week's auction of the US long bond is becoming the most nail-biting affair. Much hinges on the attitude of the Japanese funds, which have a difficult judgment to make, balancing the currency erosion of their capital against the likely coupon. Even if yields stay above 7½ per cent until the auction is completed, the bargain may not look too exciting on strict investment grounds. But there is a strategic reason why the Japanese may yet decide not to sit this one out. Anything that makes the dollar slide faster downhill – such as a bond-auction boycott – is bad news for Tokyo. Unless, that is, the Ministry of Finance were to were decide that the dollar is best saved by being rushed into an unsustainable overshoot.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday February 3 1987

Diamond Shamrock sets up takeover defences

BY OUR NEW YORK STAFF

DIAMOND SHAMROCK yesterday announced plans to split itself into two parts and unveiled a major management reshuffle in a desperate effort to escape from an investor group led by Mr T. Boone Pickens, the Texas oilman who has launched a cash tender offer for 18 per cent of the Dallas-based energy group.

Mr William Bricker, Diamond's 54-year old chief executive who will resign on completion of the restructuring, described yesterday's announcement as the "culmination of steps taken over the last two years to improve the company's competitive position as a pure oil and gas business".

The main elements of the package are:

● The group's refining and marketing operations with annual sales of $1.6bn and over 2,000 branded outlets will be spun off to shareholders within the next 90 days. Diamond Shamrock shareholders will receive one share in the new company, which will seek a listing on the New York Stock Exchange and pay annual dividends of 40 cents, for every four Diamond Shamrock shares;

● Diamond Shamrock will begin a cash tender offer later this week for 20m of its shares at $17 per share. The Prudential Insurance Company of America has purchased $300m of preferred stock which is convertible into 17.5m shares of common stock of Diamond Shamrock beginning in 1990. Prudential expects to appoint three directors to the Diamond Shamrock board.

● Diamond Shamrock, which has 140m barrels of oil reserves and 890bn cubic feet of natural gas, will concentrate on exploration and production operations and will review its remaining non-oil and gas assets. The company will not pay a dividend.

In addition, Diamond Shamrock hs unveiled a sweeping reorganisation of its management team which will result in the departure of Mr Bricker, who has been blamed for the company's erratic financial performance in recent years.

Mr Charles L. Blackburn, who was brought in from Shell last year, has been appointed chief executive of Diamond Shamrock and will succeed Mr Bricker as chairman following the completion of the spin-off. Mr Roger Hemminghaus, a former Exxon executive, will become chairman and chief executive of the refining and marketing company at the time of the spin-off.

Diamond Shamrock's shares fell by $⅛ to $14⅞ in early trading yesterday. The Diamond Shamrock board had previously determined that Mr Pickens' offer was "coercive and inadequate."

● Texas Eastern, the energy and gas pipeline group, is to spin-off a 55 per cent stake in its liquefied petroleum gas (LPG) operations in an initial public offerring of 12.5m units of Petrolane Partners, a master limited partnership which will own and operate the Petrolane operations which Texas Eastern bought for $1.04bn in 1984. The company hopes to raise around $250m from the sale.

Arsenal bids $3bn for Viacom

BY OUR NEW YORK STAFF

NATIONAL AMUSEMENTS, a closely held theatre chain group, yesterday returned to the battle for control of Viacom International, the US broadcasting and cable TV group which has been the subject of repeated takeover rumours in recent months. It revealed that it had offered to buy the company for nearly $3bn.

Arsenal Holdings, a unit of National Amusements, disclosed in a filing with the US Securities & Exchange Commission (SEC) that it had offered to acquire Viacom for $44.75 in cash and preferred stock.

Arsenal, which already owns 19.6 per cent of Viacom, said that its offer reflected a significant increase over the price offered by Viacom management, which announced a $2.9bn plan to take the company private last October. The latter had offered to pay $37 a share in cash and a fraction of an exchangeable preferred stock valued at $7 and 20 per cent of the new company.

The shares of Viacom jumped by $2⅜ to $43¾ in early trading yesterday.

National Amusements said that its offer for Viacom gave public shareholders a "much more valuable equity participation in a financially sounder company" than under the Viacom offer. Unlike Viacom's management, National Amusement would not rely on "junk bond" financing.

It intended to finance the offer with $400m of cash and Viacom common stock and $2.25bn of bank finance provided by a group of banks led by Bank of America.

Meanwhile, shares of Heritage Communications jumpted by $3¼ to $32 following the news that its management team planned to take the company private in a $32-a-share deal valuing the company at $835m.

Heritage is one of the few remaining publicly-held cable TV companies and has been rumoured as a possible takeover stock for a predator wanting to enter the fast-growing US cable TV business

The Heritage management team is being helped in its plans by Tele-Communications, the biggest US cable TV operator. The offer for Heritage consists of $26 a share in cash and $6 a share of Tele-Communications Class A common stock.

Perstorp sales lifted by acquisition

BY SARA WEBB, STOCKHOLM CORRESPONDENT

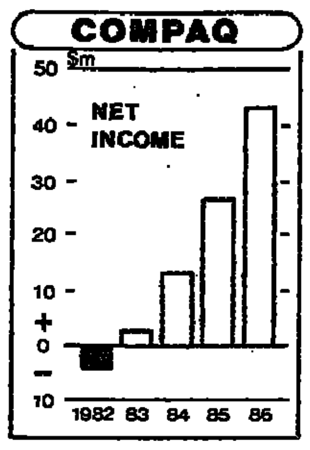
PERSTORP, the Swedish speciality chemicals and plastics group, reported profits (after financial items) of SKr 151m ($23m) for the first four months of its fiscal year, an increase of 21 per cent on the corresponding period last year.

Invoiced sales for the four months rose 11 per cent to SKr 1.402bn compared with SKr 1.267bn a year ago, with increased invoicing in all of the business areas except Perstorp Components, where sales were flat.

The acquisition of the French company La Bakelite has helped to boost sales at Perstorp's Chemitec division, which produces binders for the mechanical engineering industry, while sales at Perstorp Biotec have been partly helped by the acquisition of the Dutch company Lumac.

Perstorp Electronics recently signed a preliminary agreement to acquire LTIS, a French manufacturer of industrial-grade laminates with annual sales of about SKr 30m.

Perstorp hopes to strengthen its market position in France and the UK as a result. LTIS manufactures laminates for the electronics industry, and Perstorp says the acquisition would provide its electronics division with new technology in mass lamination used in the production of computer circuit boards.



Compaq continues to climb

By Louise Kehoe in San Francisco

COMPAQ Computer, the US personal computer manufacturer, reported a sharp rise in profits and sales for 1986 and for the fourth quarter.

The company's 1986 sales rose 24 per cent form $503.9m to $625.2m. Net income was up 61 per cent from $26.6m, or 90 cents a share in 1985, to $42.9m, or $1.33 a share on a fully diluted basis.

Compaq recently issued 6.5m shares in connection with the redemption of convertible subordinated debentures.

Sales for the fourth quarter of 1986 were $186.9m, a 20 per cent increase from sales of $156.3m for the fourthe quarter of 1985.

Net income for the period was $16.2m, or 49 cents a share, compared with $10m, or 32 cents, in the fourth quarter of 1985, a 62 per cent increase.

Compaq said its good fourth quarter was tied to strong demand for its higher performance personal computers, which accounted for 72 per cent of sales in the quarter.

Demand for Compaq's latest 32-bit personal computer, the Deskpro 386, exceeded supply throughout the quarter, said Mr Rod Canion, president and chief executive.

"We plan to increase the percentage of high performance personal computers in our product mix," he added.

Export sales more than doubled during 1986, Compaq said, leading to the company's recent announcement of plans to establish a $23m manufacturing plant in Scotland that will serve the European market.

Compaq also announced plans to form a Singapore subsidiary that will assemble circuit boards, beginning in mid-1987. The circuit boards will be shipped to the new Scottish factory the company said. Previously, Compaq has manufactured all of its boards and computers in the US.

FOREIGN GROUPS LIKELY TO SEEK FRENCH ALLIANCES

CGCT carries FFr 500m tag

BY PAUL BETTS IN PARIS

THE FRENCH Government yesterday set a price of FFr 500m ($83m) for Compagnie Generale de Constructions Telephoniques (CGCT), the state public telephone equipment maker, to be sold as part of the conservative administration's ambitious privatisation programme.

Bids for CGCT will have to be made before March 2 and the Government is expected to take another month before announcing a decision on its choice of candidate to take over control of the troubled telecommunications group.

The main candidates for CGCT include AT&T, the US telecommunications group, and its European partner Philips, Siemens of West Germany, Ericsson of Sweden, and the Canadian telecommunications group Northern Telecom.

For the past two years, these major international telecommunications group have been battling to gain access to the French public telephone exchange market by taking over control of CGCT, the former French subsidiary of ITT which was nationalised in 1982. CGCT currently controls about 16 per cent of the French public switch market.

Although under the French Government's privatisation rules no foreign investor can initially acquire more than 20 per cent of a state company, the international group selected for CGCT is expected to take over management control of the French telecommunications equipment maker.

Moreover, the winner in the CGCT competition will also become the second source of public switch equipment to the Direction Gènèrale De Tèlècommunications (DGT), the French telecommunications authority.

The first source of the DGT is Alcatel, the CGE-controlled telecommunications group which recently absorbed assets of ITT.

The international telecommunications concerns now bidding for CGCT are expected to seek alliances with French banking or industrial groups to gain control of the company without breaching the privatisation foreign ownership regulations.

Among French groups which could be interested in taking part in a consortium to control CGCT are Matra, the defence and electronics group which has already acquired CGCT's private telecommunications business, and Jeumont-Schneider, the telecommunications subsidiary of France's private Schneider group. However, international bidder could also form a controlling consortium for CGCT with a group of French financial institutions.

The price of FFr 500m for CGCT falls in the range expected by the industry. After losing FFr 200m on sales of FFr 2.76bn in 1985, CGCT is expected to show losses also of about FFr 200m last year.

However, after the restructuring of the company and the sale of its private telecommunications business to Matra, the company's remaining public telecommunciations activities are reported to be in the black. However, the key interest of CGCT for foreign telecommunciations groups is the access the French company will give them to the French public telecommunications market.

A&T and Siemens, backed by their respective governments, have been lobbying intensively to boost their chances to gain control of CGCT. However, Ericsson and Northern Telecom are both regarded as strong outsiders.

MCI suffers quarterly loss after writedown

BY RODERICK ORAM IN NEW YORK

MCI, the struggling US long-distance telecommunications carrier, has reported a net loss for the fourth quarter of $502.5m, because of the cost of a major consolidation of its activities announced last December.

The charges totalled $584.9m at the pre-tax level compared with December's estimates of $500m to $700m. They cover, for example, the writedown of satellite and analog telecommunications equipment which has been superseded by digital technology.

The company, which is the second largest carrier in the US after AT&T, is also streamlining operation and administration staff across the country. The charges were partially offset by a $39.1m gain from anti-trust settlements.

Excuding these charges and gains, MCI had an operating loss of $10.6m in the period. Net operating profits in the previous fourth quarter were $34.6m, or 15 cents a share, although debt retirement costs reduced the final net to $8.3m, or 4 cents. Revenues rose to $920.1m from $721.4m even though some receivables were uncollectable.

For the full year, MCI's net operating loss was $431.5m, or $448.4m with debt retirement costs. The year-earlier net operating profit was $139.6m, or 59 cents, which was cut to $113.3m, or 49 cents, by similar charges. Revenues grew 41 per cent to $3.59bn from $2.54bn.

MCI said it was hurt by frequent predictions by Federal Communications Commission officials, who are the industry watchdogs, that they would order further cuts in AT&T's charges this year. MCI expects its performance to remain under pressure.

Three to merge pulp machinery businesses

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SVENSKA Cellulosa (SCA) of Sweden and United Paper Mills of Finland, two of Scandinavia's leading forest product groups, and Ingersoll-Rand, the US engineering group, are to merge their pulp machinery businesses into a new joint venture, which will be one of the world market leaders in the sector.

The new company will be owned equally by the three groups, but management control will be exercised by Sunds Defibrator, the SCA engineering subsidiary, and the headquarters for the venture will be in Sundsvall in northern Sweden.

The company will have annual sales of about SKr 2.5bn ($390m) and a workforce of about 2,500.

The main product lines will include equipment for manufacturing chemical and high-yield mechanical pulps, fibreboard and corrugated boxboard.

The three groups have signed an agreement in principle, and the venture is subject to approval by the authorities in the US and in Sweden.

The new venture will have manufacturing plants in Sweden, Finland, the US and Canada and will include the IMPCO division of Ingersoll-Rand in Nashua, New Hampshire, along with SCA's Sunds Defibrator and United Paper Mills' Jylhävaara fibre processing businesses.

The first stage of the merger was announced in October last year when Sunds Defibrator took over United Paper Mills' pulp technology operations and the Finnish group took a one-third stake in the equity of Sunds Defibrator partly through an issue of new shares and partly through the purchase of a small block directly from SCA.

MODERN-DAY DEBT BRINGS FRONTIER HISTORY TO A CLOSE

Hudson's Bay to sell 170 remote stores

BY BERNARD SIMON IN TORONTO

HUDSON'S BAY CO, the venerable Canadian retail and real estate group, is to sever itself from an important part of North American history by selling 170 stores in remote native and resource communities throughout Canada.

Hudson's Bay earlier announced plans to dispose of its London and Toronto-based for sales businesses as part of a four-pronged strategy to reduce debt. The company has raised C$350m ($261m) in new common and preferred equity in the past year, tightened control over capital spending, and is exploring new ways to maximise trading profits from existing businesses.

Hudson's Bay, which is controlled by the Thomson family, best known for its international publishing interests, posted operating profits of C$106.4m in the nine months to last September 30. But interest charges of more than C$200m pushed the company into a net loss of C$88.2m.

The group said yesterday that the decision to sell the Northern Stores division was taken "with great reluctance. There was a feeling that this was a major part of the company's heritage." It said, however, that – despite their historical importance – the stores now account for only about 5 per cent of the group's total assets.

Owens-Illinois profits dip modestly

By Our New York Staff

OWENS-ILLINOIS, the US glass container maker, which is reviewing a management buyout offer, has reported a modest downturn in profits for the three months to December 31, mainly because of reduced gains from divestitures and the adverse impact of tax reform.

Net earnings slipped to $35.1m, or 58 cents a share, on a primary basis, from $41.31M, or 69 cents, a year earlier. Revenues edged up to $905.9m from $891.3m. Repeal of the investment tax credit reduced earnings by about 10 cents a share in the latest period.

Net profits for the full year were a record $179.2m, or $2.96, against $156.1m, or $2.61. Revenues were flat at $3.64bn against $3.67bn. The 1986 earnings include net gains of $31.9m from sale of assets and net restructuring costs of $36.2m.

A change in pension accounting rules also boosted 1986 profits.

The Ohio-based company, which also has interests in paper-based packaging products, timber, health care and financial services, has agreed to discuss a $60-a-share buyout proposed by Kohlberg Kravis Roberts, a Wall Street firm specialising in such transactions.

INTERNATIONAL COMPANIES AND FINANCE

Ernault-Toyoda to expand in Europe

BY NICK GARNETT IN LONDON

ERNAULT-TOYODA, the French machine tool company saved from collapse by Toyoda of Japan two years ago, said that it intended mounting a challenge in the UK and West German markets, starting this year.

The company, formally Ernault Somua, in which Toyoda now has a 50 per cent share, manufactures machining centres under Toyoda licence and lathes of Ernault design.

Mr Jean-Paul Pons, president of Ernault-Toyoda, said that the company, based at Cholet, near Nantes, intended raising exports from 20 per cent of sales last year to 40 per cent within the next few years as output continues to build up at its two French factories. More than $21m has been spent on new buildings and production equipment.

The company in which supervision of production and finance is essentially in the hands of Japanese managers, has the capacity to produce 240 lathes and 165 machining centres a year, although these figures could be raised by a quarter by outsourcing more components.

If the company hits its targets, the European machine tool market will become increasingly overcrowded. Yamazaki has built a new machine tool factory in Worcester, England, which is due to come on stream in three months time.

It will be capable of producing 750 to 1,200 lathes and machining centres a year.

Mr Pons, who is also chairman of the French association of machine tool builders, said competition would intensify and that some European producers would not survive.

At the moment, Ernault-Toyoda is operating at about 60 per cent capacity producing 12 lathes and nine machining centres a month.

It had sales of FFr 150m ($23m) in 1985 and FFr 240m last year. This was well below the target of FFr 300m. Mr Pons blamed this shortfall on a downturn in French domestic demand for machine tools and delays in installing almost completely new production equipment and Toyoda-style manufacturing systems.

The company says its target is for sales this year of FFr 400m – the figure needed for the company to break even – but Mr Pons conceded that this would probably be impossible to achieve.

He said a "reasonable forecast" was to achieve a turnover of FFr 500m by 1988-89 and to sell 80 to 100 machines in the UK during the next three years. Ernault sold just one lathe and one machining centre in the UK last year.

There is now a possibility that Toyoda, the machine tool manufacturing arm of the Toyota motor vehicle group, will increase its half share in the company.

Mr Pons said Ernault-Toyoda might need some recapitalisation this year. It would then be a question of whether the other two partners, Schneider, the French electrical company, and Sofirind, a French government agency, which each hold 25 per cent would be prepared to put more money into the business.

Kvaerner suffers profits decline

By Kevin Done, Nordic Correspondent, in Stockholm

KVAERNER, the Norwegian engineering group, suffered a fall of 35 per cent in profits (before extraordinary items) last year to NKr 245m ($38.3m) from NKr 382m in 1985.

Kvaerner is locked in a corporate power struggle with Elkem, the Norwegian metals group, which is seeking to acquire a stake of at least one third in the engineering concern.

It faces expulsion from the Oslo stock exchange for its use of a company bylaw, which prevented Elkem and two other major shareholders Vesta, the insurance group, and Bergesen, the shipping group – from taking several seats on the Kvaerner board at a shareholders' meeting last month.

Kvaerner is awaiting the outcome of an appeal against the stock exchange ruling to the Department of Trade.

Elkem, which holds about 30.6 per cent of the Kvaerner equity, is itself in a weakened financial state, however. Earlier this week it announced a loss for last year of NKr 269m.

Kvaerner said that its financial performance last year was weaker than expected chiefly because of losses of about NKr 65m that it had suffered on the building of a rail ferry for Sweden.

The contract was the last shipbuilding order to be completed at the group's Moss yard, where shipbuilding operations have now been closed.

Kvaerner group turnover was unchanged at NKr 5.4bn, but new orders booked last year fell back to only NKr 4.5bn compared with NKr 5.02bn in 1985.

Last year's profits include NKr 68m gains booked from the sale of ships, and the group's shipping division made a small profit last year compared with a loss in 1985 of about NKr 75m.

Profits before tax and allocations totalled NKr 260m last year compared with NKr 363m a year earlier.

North American quarterly results Page 39

Comau poised to buy machine tool group

BY OUR FINANCIAL STAFF

COMAU, the manufacturing systems division of Fiat, the Italian vehicle and industrial group, is close to purchasing one of the machine tool companies that failed last year during the collapse of the big restructuring plan for the French machine tool industry.

The Italian company is expected to announce soon that it has taken a controlling interest in Graffenstaden Machines-Outils, a Strasbourg-based maker of machining centres and lathes.

The purchase would also include Hure, a milling machine making subsidiary in the Graffenstaden group. This would appear to be a move into new products for Comau, which specialises in designing and manufacturing complete production and materials handling systems rather than stand-alone machines.

Fiat declined to comment on the negotiations or the reasons for purchasing Graffenstaden, which is 51 per cent owned by Intelautomatisme, one of the groups formed under the French Government's Machine Tool Plan of the early 1980s but which subsequently foundered. Intelautomatisme is now owned by Indosuez, a French merchant bank.

The other 49 per cent of Graffenstaden is owned by Cit-Alcatel, a subsidiary of Compagnie Générale d'Electricité, the electrical group.

The French Government attempted to enter negotiations with a number of West German and Japanese companies as well as Comau for the purchase of Graffenstaden, which is thought to employ 350. Comau employs 4400 and had sales of FFr 400m ($66m) last year.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Optimistic tone evaporates as dollar starts to slip

BY CLARE PEARSON

LAST FRIDAY'S optimistic tone in the Eurobond market was dissipated yesterday as the dollar went into reverse, and dealers started to worry about the response to this week's US Treasury auctions. In thin trading, prices of Eurodollar fixed rate issues eased by about ¼ percentage point.

Investors continue to be wary of buying new Eurodollar bonds, but the fairly low issuing volume so far this year seems to have created room for the best quality issuers to launch successful deals.

So Warburg Securities was able to find a receptive market yesterday for its $250m six-year issue for the EEC, even though it struck dealers at first as tightly priced. The 7½ per cent bond, with a 101 issue price, initially yielded 44 basis points over US Treasury bonds.

In spite of this, the deal was quoted as high as 99¾ bid in early trading. During the day its yield margin narrowed as US Treasury bond prices fell, although it closed at around 99½ bid.

Elsewhere the Japanese securities houses were concentrating on issuing equity warrant bonds, taking advantage of the renewed firmness of the Tokyo stock market. All three of yesterday's offerings were for five years, with indicated coupons of 3½ per cent.

Nomura International's $80m issue for Tokyu Department Store came as no surprise to the market since other houses had traded the paper in the grey market for some days ahead of its announcement.

The deal was quoted at around 106 yesterday, against a par issue price. Dealers report that investors are keen on Japanese companies like Tokyu which are orientated towards the domestic market, given that consumer spending in Japan is expected to expand.

Nikko Securities' $70m issue for Keihan Electric Railway, which has interests in stores and real estate as well as railways, was also received well yesterday. It was quoted at a bid price of 105½.

The third issue was a $70m deal for Toyoda Tsusho Kaisha, the motor trader, led by Nomura International. It was quoted at 99 bid.

Prices in the D-Mark market firmed during the day, gaining about ¼ point among the longer maturity issues, though trading volume was low. The Bundesbank will announce details of a new federal bond tomorrow.

INTERNATIONAL BONDS

CSFB-Effectenbank led a DM 150m convertible bond for Elders UK, the British arm of the Australian brewery and financial group. The deal followed a three-tranche financing for Elders in the sterling, dollar, and Swiss franc markets last month. It was accompanied yesterday by a Fl 100m issue led by CSFB-Nederland.

Elders' DM 150m 10-year issue was priced at par with an indicated 2¾ per cent coupon. The conversion premium is expected to be 10 per cent, in line with the earlier issues. It is callable after five years at 101, and after six years at par. Investors have the chance to put the bond after six years at a price to give a 5½ per cent yield.

The issue, which will have its final terms fixed by February 6, was quoted at around 99½ bid yesterday.

The Fl 100m 10-year offering has a 2¾ per cent indicated coupon. It can be put after six years at a price to provide a 6½ per cent yield, and it is callable after six years at 106, and then at declining premiums.

CSFB-Effectenbank led two other issues in the D-Mark market yesterday. The first was a DM 100m 10-year 6 per cent issue for Westland-Utrecht Hypotheekbank, the Dutch mortgage bank.

Even though the issue had the guarantee of double-A rated Nationale-Nederlanden, Westland-Utrecht's parent company, dealers said it was proving hard to sell yesterday. It was quoted at 98½ bid, against a 101¼ issue price.

CSFB-Effectenbank also led an issue of 100,000 two-year warrants on their own for Den norske Creditbank. They are exercisable into a 6 per cent seven-year bond at par, and are priced at DM 19 each. They were quoted at around issue price.

In Switzerland, prices were unchanged in lower volume. Dealers said there was little retail demand.

Credit Suisse led a SFr 75m five-year 5 per cent bond, priced at 100¼, for Brierley Investments, the New Zealand company with diversified interests. Dealers expected the deal to meet a good reception; a previous convertible for Brierley met firm demand and investors were expected to find the 5 per cent coupon attractive.

S. G. Warburg Soditic led a SFr 150m 10-year bond with equity warrants exercisable for five years, for Wormald International, the Australian manufacturer of fire protection systems. The issue has an indicated 5½ per cent and warrants are expected to be exercisable at a premium of 20 per cent over the share price when terms are finalised. The borrower has the right to reduce the size of the issue.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	98½	98⅞	−0⅛	−0¼	7.94
A/S Eksportfinans 7⅞ 93	100	99⅞	100¼	+0⅛	−0¼	7.64
Australia Com. 11 95	200	116½	116⅞	−0⅛	−0⅛	8.17

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 AS	50	99¾	100¼	0	−0⅛	14.07
Amadil Fin. 14¼ 90 AS	40	99¼	100¼	−0⅛	−0½	14.79
Amro Bank 14¼ 90 AS	60	99¼	100¼	0	−0½	14.32

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Minolta Camera 2¼ 94 DM	2/86	1105	96	97	+0½	73.69
Mitsubishi Bank 2⅝ 00	8/85	1715	†243½	245	−7⅛	0.85
Mitsubishi Trust 2½ 01	5/86	1600	262	264	+3⅛	−9.53
Mitsui Bank 2⅝ 01	4/86	1819	191¾	193¼	−12	−4.29
Mitsui Trust 2⅝ 01	10/86	1990	138¼	140½	+0¼	17.08
Murata 3½ 00	7/84	1998	183¾	185¼	+7⅛	3.97
Nippon Elec. 2⅞ 00	1/85	1295	254	256	+25½	234.34
Nippon Oil Co. 3 00	5/85	923	216¼	218¼	−4⅛	−2.97
OKI Elec. Ind. 3½ 99	10/84	805	†129	130½	−1⅞	1.49
Sanwa Bank 2⅞ 00	10/85	1442	266¼	268¼	−4⅛	0.09
Sumitomo Bank 2⅞ 00	8/85	2142	259¾	262¼	−4⅛	5.49
Toshiba Ceramics 3 00	4/85	1734	†122½	123½	+0⅞	9.06
Nippon Oil Co. 2⅛ 92 SFr	3/84	1081	*†132½	132½	0	1.37
Nippon Shinpan 2 92 SFr	3/84	696.3	*†177½	177½	0	−6.64
Yokohama, Bank of 2⅞ 01	10/86	1945	152¾	154¼	0	−3.88
Asics 5 92 DM	12/83	472	†120	121	+0½	5.55

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
GMAC 5⅞ 91	60	101	101½	0	+0⅞	5.09
EIB 6¼ 96	25	104¼	105¼	+0⅞	+0⅞	5.41
Sweden, Kingdom 5⅝ 95	20	101⅝	102⅝	0	+0⅞	5.34

Average price change on day 0 on week +0⅞

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Haig Simonian on a US investment bank's ambitions in West Germany

Salomon creates Frankfurt springboard

AS THE champagne corks popped at one of Frankfurt's top hotels yesterday, many of the West German guests invited to celebrate Salomon Brothers' official arrival were quietly assessing the implications.

Not that the US investment bank has been short of publicity in the six months it has already been in the Frankfurt market. Salomon made quite a splash last July, when it lured Mr Peter Coym, formerly head of investment banking at Commerzbank, for a salary said by some to be around DM 1m ($545,000).

Salomon's rationale for setting up in Frankfurt was clear. Its increasing emphasis on non-dollar markets in recent years has conveniently coincided with the Bundesbank's policy of gradual deregulation. It is little wonder that Frankfurt lies not far behind London and Tokyo in Salomon's international ambitions.

"We felt it would be almost impossible to get together the quality of German nationals we wanted either in London or New York," says a senior Salomon executive, explaining the reason for coming to Frankfurt. Moreover, while the London office has tended to concentrate on selling securities to a wide range of international investors, one of Frankfurt's chief tasks will be to develop purely West German distribution for DM-denominated securities.

Salomon has had a Frankfurt office, in Deutsche Bank's former headquarters, for about six months. However, the company did not receive its banking licence until November — much the same time as it joined the Frankfurt stock exchange.

> 'It would be almost impossible to get together the quality of German nationals wanted in either London or New York'

Since then, things have moved fast. But both Mr Coym and Mr Frank Beelitz, his co-managing director, who joined Salomon after a long spell at Morgan Guaranty in Frankfurt, are unapologetic about the firm's delay in making its public debut. Apart from obtaining the necessary regulatory approvals, the company has painstakingly been recruiting backroom staff. "You can lose more money through a bad back office than from trading," notes Mr Coym.

Mr Coym and Mr Beelitz highlight the two areas where Salomon intends to make its impact in West Germany. Mr Coym will focus on capital markets, while Mr Beelitz will take charge of the potentially more difficult corporate finance side.

Some bankers argue that there is a more active secondary market for many D-Mark securities in London than in Frankfurt — and have even coined the word "Londonfurter" to describe them.

The US investment bank itself has decisively turned its back on this view. It is moving its entire Euro-DM trading activity to Frankfurt. Four traders will be in place at the outset for Euro- and domestic DM bond business, with room for more to follow if necessary.

Salomon intends to be active in both the primary and secondary markets for Euro D-Mark and domestic bonds, offering a full syndication, sales and trading service, according to Mr Coym.

However, he recognises the entrenched position of the West German banks in the domestic bond market. "Our target is to lead manage issues but the only way for us to do that is by bringing and developing new ideas and structures to the market," he says.

Salomon has already made its mark in that respect through a number of innovative repackaging deals for bonds issued by a variety of West German federal borrowers.

Cracking corporate finance could be a great deal more difficult. West German banks are renowned for their close relationships with client companies, and it is hard to see an outsider easily breaking in.

> 'Our target is to lead manage issues but the only way is by bringing and developing new ideas and structures'

"It would certainly be a mistake for us to try to be all things to all people," admits Mr Beelitz. But he points to Salomon's advisory role to Bertelsmann, the West German media group, in last December's successful US$485m bid for Doubleday, the US publishing house, as an example of what it can do.

Salomon is not targeting any specific group of companies for its corporate finance services. Yet its expertise is bound to be of greater interest to West Germany's largest corporations—notably those planning US acquisitions—and to the West German subsidiaries of US multinationals, than to the thousands of small and medium sized companies.

Mergers and acquisitions is one area where Salomon may have a strong advantage over the domestic competition. "M & A was never a banking activity in this country, there was never any need," says Mr Beelitz. The West German banks are busily trying to improve their expertise but it is a slow process, thinks Mr Beelitz. Meanwhile, the "old boy network" in German corporate finance is already breaking down — probably to the foreigners' advantage.

The trend for more investment banks to set up in Frankfurt will meanwhile continue, Mr Coym predicts. The Swiss are already strongly represented, notably through CSFB-Effectenbank. On the US side, Morgan Stanley, Shearson Lehman and Goldman Sachs are all said to be thinking about taking the plunge.

The foreign inflow is bound to accelerate when the Bonn Government fulfils its election pledge of removing the stock exchange turnover tax, which has been the principal reason why some secondary market trading in D-Mark securities has been syphoned off to London. In the meantime, Salomon, and a small number of other houses, will have the foreign investment banking field pretty much to themselves.

Lloyds awarded facility mandate by Sonatrach

By Our Euromarkets Editor

SONATRACH, the Algerian state oil and gas corporation, has mandated Lloyds Merchant Bank to arrange a £75m bankers' acceptance facility to finance its exports.

Although the terms are not strictly comparable with those of loans for Algerian borrowers last year, they represent a continuation of Algeria's acceptance of progressively tougher borrowing conditions in the face of slower economic growth.

The revolving facility, guaranteed by Banque Nationale d'Algerie, is for five years, shorter than other recent loans. Sonatrach will pay a 62.5 basis point acceptance commission on three-month drawings, and 70 basis points for drawings up to six months.

Banks will receive a 25 basis point commitment commission on undrawn balances. They will also be paid front-end fees ranging down from 87.5 basis points for commitments of £7.5m.

Another Algerian borrower, Credit Populaire, is also sounding out the market through Long-Term Credit Bank of Japan for a loan believed to be of the order of $100m on terms which will also be more generous to banks than those of last year.

Banque Nationale d'Algerie's $250m deal, mandated last November, was for eight years at ⅜ above London inter-bank offered rates.

L M Securities wins licence in Japan

By Ian Rodger in Tokyo

LM SECURITIES, an affiliate of Chase Manhattan of the US, has obtained a securities licence from the Japanese Ministry of Finance (MoF) and plans to open for business in Tokyo in April.

LM Securities, a 50 per cent-owned branch of Laurie, Milbank, the London stockbroking firm owned by Chase, was invited by the MoF to apply for a licence last October, but delayed its application because it was preparing new premises.

The initials in its name were apparently adopted because the Japanese authorities were unhappy about the presence of the syllable "bank" in the name of a securities company.

Mr Robert Binney, senior vice-president and general manager of Chase in Japan, said yesterday that the branch would open with a staff of 40.

The management of Chase's substantial sales of US government securities to Japanese investors would be transferred from New York to LM, as would some of the Euromarket activities from London, Mr Binney said.

Westpac steps up investment banking thrust

By Our Financial Staff

WESTPAC, the large Australian bank, is to strengthen its investment banking presence with the transfer to London of Mr Adrian Fletcher, who will be responsible for international capital market and treasury activities.

Mr Fletcher is currently general manager for group planning, based in Sydney. He is a member of the bank's executive committee. In his new post as general manager for investment banking, he will head a newly defined unit within Westpac.

Little change at Falconbridge

BY BERNARD SIMON IN TORONTO

FALCONBRIDGE, the Canadian metals producer, overcame weak nickel and cobalt prices in the fourth quarter of last year to report earnings almost unchanged from a year earlier.

Thanks to the contribution of Kidd Creek Mines, the northern Ontario zinc, gold, and silver producer which Falconbridge bought early last year, fourth-quarter earnings dropped only slightly to C$6.1m or 10 cents a share, from C$7.6m (US$5.67m), or 19 cents a share.

Earnings for 1986 as a whole were C$15.5m, or 27 cents, down from C$38.5m, or 95 cents, in 1985. These figures exclude extraordinary gains from the sale of interests in three gold mines and a copper producer, which raised last year's net income to C$70.3m, or C$1.21.

Annual revenues rose to C$1.1bn from C$890m. With nickel shipments lower, the increase in revenues was due entirely to Kidd Creek's contribution.

Calberson teams up with Purolator

CALBERSON, the leading French transport and delivery group, has teamed up with Purolator, the Canadian express messenger service group, to extend its international messenger services operations, *Paul Betts reports from Paris.*

Purolator is one of the top three express messenger service groups in the North American market and has been seeking for some time to penetrate the French market.

Mr Didier Allavene, head of Calberson's domestic network, said yesterday that the deal with Purolator would also help the French company fend off growing international competition at home and enlarge its range of international services.

Competition in the French market has been spurred by the recent abolition of the French post office monopoly for international express messenger services.

Calberson had sales of about FFr 6bn ($982m) last year.

Hofmann quits Merrill to join Shearson

By Alexander Nicoll, Euromarkets Editor

MR HANSGEORG HOFMANN is to leave Merrill Lynch, where he has been managing director in charge of the primary Eurobond area, and will join Shearson Lehman Brothers International as an executive director.

Mr Hofmann, 43, will be co-head, with Mr Peter Luthy, of Shearson's primary capital markets group and a member of its London management committee.

Late last year, Merrill Lynch established a new five-man executive committee designed to allow fast decisions on key transactions in which the firm is involved. It omitted Mr Hofmann but included two of his colleagues on the bond side.

INTERNATIONAL COMPANIES and FINANCE

Stefan Wagstyl profiles an expanding Australian stock exchange

Perth thrives on a boom in gold

THE STOCK MARKET is second only to the America's Cup Races as a topic for conversation in Perth, the Western Australian capital.

Investors swap tips in the street and in the bars. At lunchtime many crowd into the small visitors' gallery at the stock exchange to watch the action on the floor.

Mr Quentin Amos, a stockbroker, has no doubt why they do it. "This is certainly the place in the world to trade stock. This is still a market where you can triple your money in a day."

It caused little surprise in Perth when a study by the Australian Associated Stock Exchanges found the proportion of people owning shares in Western Australia was higher than in any other state—13.5 per cent against an average of 9.2 per cent. The survey commented on the "boldness" of Western Australian investors, saying that it was probably no coincidence that the state had both the highest incidence of share ownership and of shareholders investing for short-term profit.

With Australian stock market indices close to record levels, investors have needed no encouragement, particularly in backing local companies in the expanding Western Australian economy. Mr Rod Bennetts, publicity manager at Perth Stock Exchange, says: "Everyone knows someone who's made money." Perth entrepreneurs Mr Alan Bond and Mr Robert Holmes à Court are household names and there's no shortage of companies looking for investors' money.

There were 144 flotations in the year to June 1986—double the 1984-85 total. This year's figure is expected to be even higher. To cope with the rush of young companies, Perth was the first of the country's stock exchanges to start a second market, modelled on London's unlisted securities market.

High technology issues have been popular, among them Mr Ralph Sarich's Sarich Technology Trust, which is developing a new form of combustion engine. Capitalised at more than A$800m (US$529bn), it has the highest rating of any of Australia's top 150 companies in terms of value put on its assets, which are mostly in development projects.

But the real excitement at the Perth Stock Exchange is in mining, especially in gold. Mr Bennetts says: "First we had an iron ore boom, then we had a nickel boom, now we have a gold boom." Fuelled by the rise in gold price in (depreciating) Australian dollars from about A$350 an oz in January 1985 to above A$600 now, the Australian gold index has trebled over the same period.

It won an extra boost late last year when the Federal Government decided against scrapping gold companies' exemption from tax. Although gold shares are traded in all six of Australia's loosely-linked exchanges, many of the companies are based in Perth and nominate Perth as the home exchange. Gold exploration companies account for about half of Perth's new issues.

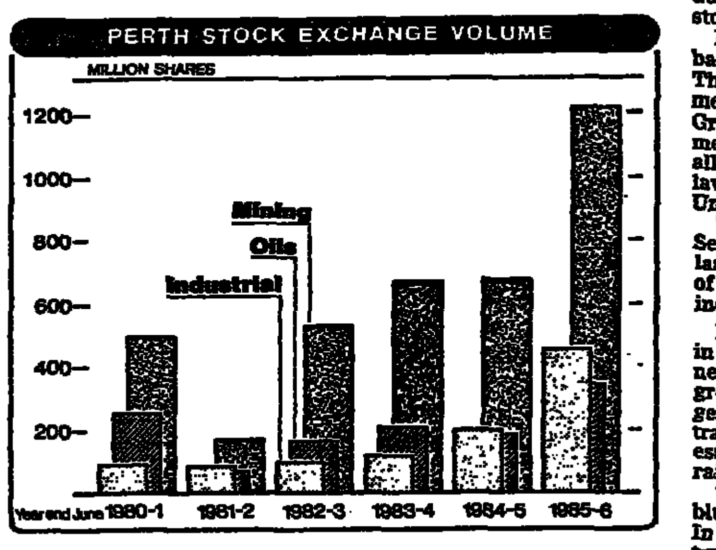
Perth and the other Australian stock exchanges plan to amalgamate later this year. The move will allow settlements to be centralised and pave the way for the eventual introduction of computerised on-screen trading alongside traditional floor trading.

Substantial companies have been created—Australian Consolidated Minerals has seen its shares go from 40 cents in 1985 to above 600 cents, giving it a market capitalisation of nearly A$500m.

Western Australians trade these stocks daily. Mr Amos says he gets 20 calls from clients wanting to deal in mining shares for every one in industrial stocks. Investors are after the rapid profits which can be made in shares like Great Central Mines, which was floated last August at 21 cents, and has risen to 220 cents partly on the strength of Western Mining, Australia's biggest gold producer, announcing plans to expand the Lady Bountiful mine.

There have also been some spectacular failures. Central Kalgoorlie Gold Mine shares soared last year to a high of 86 cents after achieving every explorer's ambition of opening a mine. But the development was unprofitable and the shares have since fallen to 35 cents. There are dozens of companies with shares languishing below the issue price, often groups which have run out of funds after spending exploration budgets and finding nothing commercially viable.

Regulators have their work cut out keeping track of the market. Officials at the state government's Corporate Affairs Department say the law has been greatly tightened up since fraudulent promoters were caught misleading investors during the nickel boom in the early 1970s, in one case resorting to the oldest trick in the industry — "salting" samples with metal to improve drilling results. This time around, say the officials, there have been no stock exchange scandals involving mining companies.



Investigators are currently looking most closely at the high-technology sector. The case which has attracted particular attention is that of Sadleir Computer Research, a software house where an A$8m asset—a software package—was revalued by a new board of directors at A$1. The Corporate Affairs Department is also investigating DTX Australia, an electronics company which allegedly made extravagant claims for its products in order to support its stock market flotation

Mining companies and their backers are not free of scrutiny. The Corporate Affairs Department is prosecuting Wheeler Grace and Pierucci, an investment broker, on 375 counts of allegedly infringing prospectus law in promoting Carbon Gold Unit Trust.

The National Companies and Securities Commission warned last year against the dangers of overvaluing intangible assets, including mine leases.

Mr Ray Porter, senior partner in stockbroker Porter and Partners, argues that a young fast-growing economy is bound to generate companies with short track records or with none. It is essential that these groups can raise capital, he says.

"In any market there are blue-chip and casino-type stocks. In Perth there are more casino-type stocks."

Mr Porter admits that brokers in the more established financial centres of Sydney and Melbourne see Perth as an exchange with "cowboys"—or financiers who break or bend the regulations. But he says that has not stopped eastern state stockbrokers from buying into seven out of Perth's 11 member firms.

Mr Porter argues that more rules do not necessarily improve investor security. "I do not mean to be cavalier. But the only way to stop bank robberies is to close the banks. It's the same with the stock exchange."

At the end of the day investors will only complain if they are hurt. For as long as the market in Australian gold stocks remains buoyant, there are likely to be few criticisms. But if there is a severe fall, fortunes will be lost in Perth. Then people will start looking at the fine print of documents and regulations. Mr Amos says: "In a bull market investors are greedy. They stop being greedy when it is too late."

HWT likely to sell off radio and TV stations

By Chris Sherwell in Sydney

THE HERALD and Weekly Times (HWT) media group yesterday confirmed that it would this week consider the disposal of all its television and radio assets, clearing the way for an agreed A$2.3bn (US$1.52bn) takeover by News Ltd, the company associated with Mr Rupert Murdoch.

The Australian Broadcasting Tribunal, the independent watchdog agency which began hearings yesterday on foreign control of Australia's broadcast media, was told that the HWT board would consider the sales tomorrow.

The sales would allow News Ltd to acquire control of HWT without having to worry whether its recent restructuring would successfully avoid regulations preventing a foreign-owned company holding more than 15 per cent of an Australian broadcasting licensee.

Although the aim of the change was to reduce the voting share of Mr Murdoch in News Ltd to the legal ceiling, the tribunal ordered its hearing after a federal court ruled that Mr Murdoch still controlled two television stations, in Sydney and Melbourne.

HWT's action to facilitate the News Ltd takeover was first foreshadowed last week, when the company told the Victoria Supreme Court that it was considering "such steps as are appropriate and as are within its power to avoid breaches" of the Broadcasting Act.

The terms of the sales have already been broadly agreed. Mr Robert Holmes à Court will purchase HWT's Melbourne television station for A$260m. Mr Kerry Stokes, another Perth businessman, will buy HWT's stake in an Adelaide television station and five radio stations for A$110m.

In a third transaction, Westfield Capital Corporation, through Northern Star Holdings of Brisbane, will purchase two radio stations in Queensland.

These latest moves, if successful, appear to be a setback for the Sydney-based Fairfax group, which is trying to outbid News Ltd for HWT. But Fairfax is still seeking to stop the News Ltd takeover through legal action

Net falls 74% at Kuwait Petroleum

THE state-owned Kuwait Petroleum Corporation (KPC) suffered a 74.2 per cent net profit fall in the year to June to KD 54m ($194.4m) amid what was described as "all-out chaos" in the oil market, Reuter reports from Kuwait.

A KPC announcement said the results would have been worse but for a 24 per cent rise in crude output.

Sheikh Ali al-Khalifa al-Sabah, the Oil Minister, has said Kuwait, which can pump up to 4m barrels per day (b/d), produced 1.086m b/d in 1985-86.

This excluded 67,400 bd from the Neutral Zone bordering Saudi Arabia.

Sheikh Ali, in a statement to be included in the annual report, was quoted as referring to "the all-out chaos that prevailed in the oil market."

He said the Kuwaiti-owned network in Europe, with oil refining and retail distribution outlets in Scandinavia, Italy, and the benelux countries, had helped to alleviate the impact of the market downturn.

Carlton Paper increases earnings and turnover

BY JIM JONES IN JOHANNESBURG

CARLTON PAPER, the 38 per cent-owned South African associate of Kimberly-Clark of the US, reversed its profit decline in the second half of 1986. The directors expect the trading improvement to continue but warn that economic recovery is not yet fully entrenched.

Turnover increased by 11.7 per cent to R198.6m ($96.6m) from R177.9m and pre-tax profits were 7 per cent higher at R15.6m against R14.6m.

Mr Keith Partridge, managing director, says the rate of increase of dollar-based raw materials prices abated and a sustained marketing effort resulted in higher sales volumes.

Earnings per share increased to 53.3 cents from 53 cents and the dividend has been maintained at 18 cents.

● *Chubb Holdings*, the quoted South African security subsidiary of Racal-Chubb, increased turnover and profits in the half-year to October 10.

Turnover rose to R42.2m from R37.5m and pre-tax profits were R2.17m against R1.50m.

South African crime figures are on a sharply rising trend, particularly burglaries and thefts of cars. Short-term insurers have increased premium rates and insisted that clients take additional precautions to protect their belongings.

Chubb's first-half earnings per share rose to 20.6 cents from 16.5 cents and the interim dividend has been lifted to 7 cents from last year's interim 6 cents. Per share earnings totalled 40.8 cents in the last financial year and a total dividend of 17 cents was paid.

NZ bank buys into Kupe

EURO-NATIONAL, an Auckland-based merchant bank and investment group, yesterday announced the purchase of 47.1 per cent of Kupe, a listed investment company, for NZ$209m ($US$113.1m), Reuter reports from Wellington.

It bought a 27.1 per cent stake from McConnel Dowell and another 20 per cent from Mr Graeme Hamilton, Kupe managing director. The purchase involves NZ$180.4m in cash and the issue of Euro-National shares to Mr Hamilton. The sale is subject to Commerce Commission and shareholder approval.

Mr Hamilton will head Kupe and join the Euro-National board. Both companies' property activities will be conducted within the Kupe group and Euro-National will sell all its property investments to Kupe for an unspecified consideration.

UK COMPANY NEWS

Thomson T-Line to acquire Taddale

BY CLAY HARRIS

Thomson T-Line has agreed to pay £11.1m for Taddale Investments, another industrial holding company.

The offer would end the mercurial independence of OTC-quoted Taddale, which yesterday reported a pre-tax profit of £825,666 (£364,807 loss) on sales of £11.2m (£9.3m) for the six months to October.

TTL said that the proposed acquisition was part of its effort to expand its asset and trading base. It was especially interested in Taddale's electronics, cable distribution and speciality chemicals operations but less likely to retain the oil drilling equipment division.

Mr Roy Simmons, Taddale managing director, is to become chief operating officer of the combined group.

Taddale's founder, Mr Michael Carlton, resigned in May 1985 when the company reported a pre-tax loss of £2.1m and announced a plan to shift from "speculative dealings in assets" to concentrate on its profitable trading subsidiaries. Taddale took extraordinary charges of £4.48m in the two years to last April. Mr Carlton was killed in an air crash in southern Africa in August.

Among the legacies of his era is a £1.78m claim by Banque Hypothecaire du Canton de Geneve over certain securities transactions. TTL said that it had taken account of the claim in determining the terms of its offer.

TTL's one-for-32 offer values Taddale shares at 14.2p. This compares with a range of 8p to 14p over the past year in very thin trading through Harvard Securities and the 46.7p average price for which Mr Carlton sold 1.5m shares in 1984-85. TTL fell 13p to 455p.

Unilock £3.7m purchase

BY JANICE WARMAN

Unilock, the office partitioning specialist which gained a full listing in July 1986, has acquired HCP, perimeter heating systems manufacturer, for an initial consideration of £3.7m.

HCP, which was established in 1972, expects to produce pre-tax profits for the year to March 31 in excess of £500,000 before exceptional items of £60,000. In the year ending March 1986 it showed profits of £438,000 on a turnover of £3.69m.

HCP was one of the market leaders in the computer-aided design of perimeter heating systems and the manufacture of steel casings and cladding for building interiors, Mr David Brooke, chief executive of HCP, said yesterday.

He confirmed that Unilock was actively looking for further acquisitions in related products and markets.

Of the initial consideration £370,000 will be in cash and the rest in shares. Unilock may have to pay up to a further £702,000 if pre-tax profits to March 31 exceed £520,000.

Unilock reported pre-tax profits of £902,000 on turnover of £10.75m for the six months to September 27, 1986.

Fothergill urged to respond

Courtaulds, the international textiles, chemicals and industrial products group, yesterday called on Fothergill & Harvey, the Lancashire-based manufacturer of advanced and electrical insulation materials, to state its response to the improved offer.

Fothergill deferred an expected response to Courtaulds' offer on Friday because it said it had received an alternative approach.

Courtalds yesterday sent its improved offer to Fothergill shareholders.

Courtaulds has increased its cash or loan note terms from 225p to 300p. The share offer is nine-for-11. With Courtaulds up 17p to 397p, that values each Fothergill share at 324p. Yesterday, they closed up 16p at 318p.

Mr Sipko Huismans, a Courtaulds director, said yeserday that by considering an alternative approach, Fothergill could no longer argue that independence remained an option.

"The options for Fothergill are now closing. They will either have to disclose an alternative, substantially bigger offer or recommend our offer," he said.

Goode Durrant has 10.5% of Perry

—Goode Durrant & Murray, the trade finance, banking and property group with strong Australian links, announced yesterday that it had built up a 10.5 per cent stake in Perry Group, the Ford and GM main dealer.

Impala Pacific Corporation, an investment holding subsidiary of Mr Brian Judge's Ariadne Australia Group, took a major stake in Goode Durrant late last year and announced plans for new UK acquisitions.

Another Australian company, Mr Ron Brierley's IEL, has held a stake of about 10 per cent in Perry for some time. It was not clear last night whether he had sold this on to Goode Durrant, which purchased most of its stake on January 26.

However, Perry said last night it had received no notification of a stake sale by Mr Brierley, which suggested he was still a shareholder.

Shares in Perry closed at 185p last night, up 12p on the day, giving the group a market capitalisation of some £34m.

Wickes £30m facility

Wickes, USM-quoted DIY retailer, has announced a £30m eight-year unsecured facility arranged via a syndicate of international banks headed by S. G. Warburg.

Mr Henry A. Sweetbaum, chairman and chief executive, said: "The substantial growth planned for our UK store network encouraged us to develop this financing concept."

He added that "the funding will facilitate our ambitious UK store opening programme, enabling us to maintain a planned level of freehold sites without burdening the group's balance sheet with property related debt.

Wickes achieved taxable profits of £2.79m on sales of £66.88m in the six months to July 26 1986.

A joint venture company, Berners Street Properties, is to be formed by Wickes and the banking syndicate through which Wickes will be entitled to substantially all of the growth in the value of the properties owned by Berners.

Berners is to be financed by a combination of bank debt and subordinated loans. The company will purchase edge-of-town retailing sites, to be leased on commercial terms.

DTI investigates Bremner holders

BY DAVID THOMAS

MR PAUL CHANNON, Trade and Industry Secretary, yesterday announced the appointment of inspectors to investigate the shareholders of Bremner, the controversial property group headed by Mr James Rowland-Jones.

Bremner is having a bitter row with City and Westminster Financial, the corporate finance house with which it once planned to merge. Mr Andrew Greystoke, who heads CWF, will attempt to replace Mr Rowland-Jones at a shareholders' meeting on March 17.

The inspectors, who are expected to be named soon, have been appointed under section 442 of the 1985 Companies Act. This is concerned with determining the true identity of people who are financially interested in the success or failure of a company, or who can control or influence its policy.

Mr Rowland-Jones, who asked for the investigation, said yesterday he was concerned with the movement of large blocks of shares "which have been happening near enough since I became chairman."

He added that he was not sure where the investigation would lead.

However, Mr Greystoke strongly denied that the subject of the investigation would relate in any way to CWF. He said that CWF's stake in Bremner, which was about 27 per cent, had all been declared in an open way.

Mr Greystoke said he, therefore, welcomed the DTI investigation, which would not have any impact on his actions at the shareholders' meeting.

Cowan de Groot up 13%

Cowan de Groot, the toy manufacturer and electrical wholesaler, which last year diversified into the communication and services field, reported taxable profits up 13 per cent from £773,000 to £875,000 as sales increased by 30 per cent to £21.26m in the six months to October 31 986.

The interim dividend is unchanged at 1.25p.

Tax took £230,000 (£211,000), while there was also an extraordinary charge of £115,000 against £117,000 last time. Earnings per 10p share fell to 2.9p from 3.6p.

Despite the profits g—rowth, Mr Derrick Cowan, chairman, identified problems in all of the Group's trading activities during the period.

The planned expansion and development of professional examination tuition concern Foulks Lynch, acquired in June of last year, required the engagement of additional lecturing staff and premises which reduced short-term profitability. The full benefit of these developments were expected to show through in 1987, he said.

Mr Cowan added that the communication and services fields offered particular growth opportunities for the future and that various companies were currently being actively appraised.

The toys and giftware division had a difficult six months with both turnover and margins under pressure. Margins were also under pressure at the Irish electrical and hardware operations, where despite a substantial upturn in turnover, profits suffered due to the economic climate.

Expressing caution, Mr Cowan stated that traditionally a high proportion of profits were generated in the first half of the financial year, and that the second half would be affected by rationalisation and other costs.

The group's policy of expanding into the growing communications and services fields led the directors to believe that the quality of future earnings would be enhanced, he said.

BOARD MEETINGS

TODAY

Interims:—Anglo United, D. Y. Davies, Howard Shuttering, Meat Trade Suppliers, Property Security Investment Trust.

Finals:—Phoenix Property and Finance, Unitech.

FUTURE DATES

Interims:—

Bailey (C. H.)	Feb 9
Welsh Industrial Invest. Tst.	Feb 4

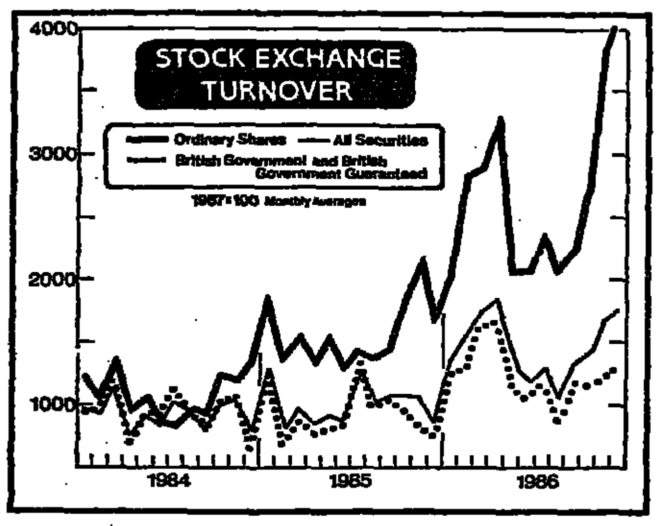
Finals:—

F and C Enterprise Trust	Feb 19
Foreign & Colonial Invest. Tst.	Feb 24
Great Nordic	Mar 24
Securicor	Feb 10
Throgmorton USM Trust	Feb 10
Tyne Tees Television	Mar 12

STOCK EXCHANGE BUSINESS IN 1986

Turnover surges 72%

BY TERRY BYLAND



STOCK EXCHANGE turnover continued to expand in 1986, when equity trading was boosted by a record level of takeover bids, and the gilt-edged sector by the huge expansion in the number of market-makers as Big Bang restructured the markets for Government debt. Total equity turnover surged 72 per cent to £181.21bn.

Takeover bids worth around £11.5bn topped all totals for previous years, with the exception of the inflation-adjusted figures for 1968. Several of the major bids have, however, fallen under a cloud since the Department of Trade began its investigation of the successful, but bitterly contested, acquisition by Guinness of Distillers.

Among the more outstanding bids were the £2.6bn takeover by Hanson Trust of Imperial Group, followed by the sale of Courage, Imperial's brewing subsidiary, to Elders IXL for £1.4bn. But many of the star bids were for overseas, usually US targets, which were only partially reflected in trading on London stock markets.

In this category was Prudential's £420m bid for Jackson National Life, Allied-Lyons £420m bid for a majority stake in Hiram Walker drinks business in Canada and ICI's £400m purchase of Glidden, the US paint firm, from Hanson Trust.

The strength of takeover business, which carried through into the final weeks of 1986, masks changes in trading trends as a result of Big Bang, at the end of October. Much of the institutional business in both gilt-edged and equities now goes straight to the marketmakers and is traded in the form of net of commission deals.

However, the number of bargains in equities also jumped last year to 7.6m, a gain of 35 per cent. The average bargain size, at £23,700, also continued to rise, adding £4,700 from the average for the previous year.

In the gilt-edged market, where the number of marketmakers jumped from, effectively three, to a theoretical 27 on Big Bang Day, October 24, turnover increased by 33 per cent to £348.46bn last year.

Government bonds were active throughout the year as London responded to the swings in major world currencies and global investors searched out the prospects for world interest rates. A fall of 2.8 per cent to 735,545 in the number of bargains in gilt-edged securities indicated the growing presence of the multinational funds in the UK markets.

Total turnover, both gilts and equities, gained 4.6 per cent to £570.31bn in the year. The pace slackened in December, when total turnover of £56.95bn showed only a minor rise of 2.7 per cent. Equity trading, showing a rise of only 6.3 per cent at £22.81bn reflected worries over the spreading insider trading scandals which damped down speculative activity.

Gilt turnover, up 9.3 per cent to £30.57bn, remained buoyant as a stronger pound raised hopes for base rate cuts.

DECEMBER 1986

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain value £000s	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	10,654.4	18.7	20,687	2.0	507.4	515.0	985
Others (over 5 years)	19,914.7	35.0	29,967	2.9	948.3	664.6	1,427
Total	30,569.1	53.7	50,654	4.9	1,455.7	603.5	2,412
IRISH FUNDS							
Short dated (5 years or less to run)	115.8	0.2	632	0.1	5.5	183.2	30
Others (over 5 years)	381.2	0.6	945	0.1	18.2	403.4	45
UK LOCAL AUTHORITY	29.6	0.1	521	0.1	1.4	56.8	25
OVERSEAS GOVERNMENT	2,201.5	3.9	7,627	0.7	104.8	288.6	363
OTHER FIXED INTEREST	844.1	1.5	25,957	2.5	40.2	32.5	1,236
ORDINARY SHARES	22,812.8	40.0	948,536	91.6	1,086.3	24.1	45,168
TOTAL	56,954.1	100.0	1,034,872	100.0	2,712.1*	55.0*	49,279*

* Average of all securities.

General Appointments

Company Notices

Contracts and Tenders

UK COMPANY NEWS

Hill Samuel hits out at FAI chief

BY NICK BUNKER, INSURANCE CORRESPONDENT

Hill Samuel, the banking and financial services group, has said it is determined not to give any role in its management to Mr Larry Adler, the Australian financier.

Mr Adler is chairman of **FAI Insurances**, the Sydney-based general insurer which is now Hill Samuel's biggest shareholder. It emerged last night that FAI had built up a 14 per cent stake in the group since it began buying Hill Samuel's shares late last year, when they were priced at 360p. They closed yesterday unchanged at 515p.

Hill Samuel said it wished to make it clear that FAI was acting "without consultation or agreement."

Mr Christopher Castleman, Hill Samuel's chief executive, said he had not arranged any meeting with Mr Adler, who was in London yesterday announcing FAI's interim results.

Mr Adler refused to say whether he was planning to increase his stake. He said it had been acquired as "a long-term investment" and the UK's economy offered bright prospects. "There is no present intention of selling," he said.

He pointed out that it would be "commercially unethical" however to turn down any especially attractive offer and added that FAI had not asked for a seat on Hill Samuel's board, but a director from a company with a record like FAI's would benefit any board.

He said FAI had "a degree of confidence" in the group's management.

Hill Samuel's statement came yesterday morning in a strongly-worded letter to shareholders.

Sir Robert Clark, group chairman, said it had written last month to Mr Adler telling him that the board believed it was not in the group's interest for any shareholder to have more than 10 per cent.

"A shareholding in excess of that level could raise in the minds of clients and employees questions of involvement or influence by such a shareholder."

Sir Robert said FAI had taken its stake well in excess of 10 per cent "notwithstanding our clearly expressed views." Hill Samuel's board was firmly resolved that FAI "should have no influence or involvement in the management of Hill Samuel or its businesses."

Mr Adler had earlier told reporters that he saw no reason why he should listen to arguments that he should not take his holding above 10 per cent.

FAI's holding in Hill Samuel is politically sensitive because the new UK Banking Bill will give the Bank of England powers of veto if a shareholder wants to take more than 14.9 per cent of an authorised bank.

But Mr Adler said yesterday that there was "no such animal as the Banking Bill" because it had not yet become law.

Insurer 16% ahead in opening six months

FAI Insurance, one of Australia's biggest general insurers, has reported record *net after-tax profits of* A$70.1m (£30.5m) for the six months to December 31 1986.

The group said the figure represented an increase of 16.37 per cent on the previous comparable period, after deduction of a greatly increased tax expense of $17.1m.

The directors said they would declare an interim dividend up 30 per cent at 3 cents per share, the 11th consecutive increase in interim dividends.

Earnings per share for the second half of last year rose 5.2 per cent to 63.68 cents. Total group assets grew by 95 per cent to $1.48bn and shareholders' funds rose from $208.4m to $344.7m.

Mr Larry Adler said sales of FAI's 48 member companies reached $442.1m, compared with $390m.

Premium income at $261.1m, was nearly double the figure for the second half of 1985. Underwriting profit incerased by more than 400 per cent to $7.4m.

The otustanding claims provision grew by £115.7m, while the unexpired risk provision grew by £100.6m, bringing combined insurance provisions to $515m.

Securiguard has strong second half

BY ALICE RAWSTHORN

Securigard, the USM quoted security services and contract cleaning group, yesterday announced a 40 per cent rise in pre-tax profit to £1m, after a strong second half which benefited from the reorganisation of its security division.

The company joined the USM in 1983 but encountered problems the following year after the acquisition of Consolidated Safeguards, another security services concern, and sustained a *fall in profits in the 1984-85* financial year. With the 1985-86 results, however, Securigard has almost returned to its 1983-1984 profits of £1.05m.

Securigard ran into problems with the acquisition of Consolidated Safeguards, because it tried to integrate the business too quickly with its existing activities. It has now resolved these problems, however, and the security division has been restructured into four regional sub-divisions. The company has recovered turnover lost during its difficulties and has returned to growth again.

Contract cleaning activities also expanded in the course of the year, although the competitive climate within the market has depressed margins. The company has won a new contract from the National Health Service, which will be worth £3m over three years. It is now considering the expansion of its cleaning activities outside its base in London and the South.

In the year to October 26, Securigard's turnover rose to £23.06m (£19.86m). The cost of sales increased to £15.58m (£13.29m) and administrative expenses to £6.3m (£5.78m) leaving trading profits of £1.18m (£786,000).

Interest payable increased to £135,000 (£71,000). The costs arising from the reorganisation of the security division produced an exceptional debit of £44,000 and the loss from the sale of the Cash In Transit division is expressed as an extraordinary debit of £83,000 (£36,000).

Earnings per share rose to 8.1p (5.4p). The board intends to pay a final dividend of 3.5p (2.7p).

● comment

The City, so often so ruthless with once promising growth stocks when they fall upon hard times, has been uncharacteristically kindly in its treatment of Securigard. When the latter joined the USM the security and contract cleaning services sectors were at their most fashionable. Disenchantment with their prospects impeded the share price's progress immediately after the flotation, and the Consolidated Safeguards debacle drove them down sharply little more than a year later. Just as the security division has fully recovered, so too has the Securigard share price which, rising by 1p to 146p yesterday, is now approaching its previous peak. With the security division now firmly *established, Securigard is keen* to tackle contract cleaning, where the recent spate of mergers may alleviate the pressure on margins, and there is lots of scope for regional expansion. All three start-ups have progressed well and are now in a position to make a more substantial contribution. The City expects profits of £1.5m, leaving the shares on a more manageable prospective p/e of 10.5. And Securigard, claiming to have learnt from past mistakes, plans to pursue its aim of establishing a broadly based industrial services group by returning to the acquisition trail in the second half, beginning with catering.

Humes allegations again denied

BY PHILIP COGGAN

THE THREE City institutions named in Australia in connection with alleged share price manipulation during the APA Holdings bid for Humes have all issued statements denying any impropriety in their share dealings.

Last week, a lawyer for Humes, a Melbourne building materials manufacturer, said that the group would be starting legal proceedings against Alexanders Laing & Cruickshank, John Govett, and the Merchant Navy Officers' Pension Fund, and aagínst Mr Garry Carter, the head of APA, alleging that they all artificially maintained the price of APA shares.

Unity-APA, the investment banking unit of APA Holdings and Unity Corporation, first launched its bid for Humes in July. The bid was apparently defeated on December 1 when Humes found a "white knight" in Smorgons Steel but heavy trading in Humes shares on the following day, at a price well above the market level, blocked the Smorgons deal.

The National Companies and Securities Commission, Australia's investment watchdog, has declared the December 2 purchases "unacceptable" and if its declaration is sustained the shares will be lodged with the commission and then sold.

Most attention centres on Alexanders Laing and Cruickshank, the broking firm owned by Mercantile House, which acquired an 8 per cent stake in Humes on December 2. Mercantile House has said that "there was a misunderstanding about the size of the order and the price at which it should be executed" and that it will challenge the commission's declaration as a "matter of urgency."

The Merchant Navy Officer's Pension Fund confirmed last week that it had purchased 736,000 ordinary and 2.57m convertible preference shares in APA between June and September 1986. It also held 40,500 shares, or 0.02 per cent of Humes. The Fund said the shares were purchased for normal investment reasons and it had no agreements or understandings with other parties.

John Govett said on Friday that Govett Oriental Investment Trust, which it provides with discretionary investment management, purchased 2.75m convertible preference shares and 256,800 ordinary shares in APA between June 12 and *November 18. No other clients* held shares in either APA or Humes, said John Govett, nor did the company or its clients enter into any agreement to maintain APA's share price.

Mr Geoffrey Musson, director of investments at John Govett, said yesterday: "We made a *perfectly straightforward* long-term investment in a good company. Even after Guinness, I think institutions are still permitted to buy shares."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Berkeley Govett	5†¶	Mar 27	4.4	8	6.7
Cowan de Groot ...int	1.25†	April 1	1.25	—	2.5
Securiguard	3.5‡	—	2.7	3.5	2.7
Textured Jersey ...int	2.25	April 1	2.25	—	6
Warner Estate	15	Mar 26	12	22.5	18

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross US cents.

Pineapple in £7m Premium Pen deal

By Janice Warman

Pineapple Group, the USM-traded dance studio and marketing group, has announced the acquisition of Premium Pen, a promotional products company, for £7.4m.

Shares in Pineapple Group, which went into loss in 1985, were suspended at 72p at the company's request on New year's Eve, pending the announcement.

Premium Pen, whose pre-tax profits are warranted to be £1.2m for the year to December, 1987, is Pineapple's second acquisition in this sector. In November, it announced the £3m purchase of Golden Key Promotions.

Mr Peter Bain, deputy chairman, said the purchase would strengthen Pineapple's *presence in the marketing* services sector. He confirmed the company's aim of establishing itself in several market sectors.

"We are reshaping the group and I feel very happy about this deal. It will give a *substantial* boost to our earnings per share, greater value *in the market* and *will* enable us to look at a wider spectrum of acquisitions.

"This will give Pineapple a chance to reorganise itself out of the spotlight. I see it making a significant contribution over the next two to three years."

Premium Pen was established 12 years ago by brothers Martin and Dennis Reuben, who will remain as full-time executive directors.

The company will raise £4m through a placing of 5.33m new ordinary shares at 75p each. The balance of £3.4m *will* be raised by issuing 3.41m 7 per cent convertible, redeemable preference shares of £1 each.

Pineapple reduced its losses to £93,000 by July 31 1986. It expects to be back in profit by the end of this financial year.

Yule Catto extends

Yule Catto said it owned or had received acceptances for 5.18 per cent of Barrow Hepburn and extended its offer. It was also announced that the bid would not be referred to the Monopolies and Mergers Commission.

RTZ lifts its stake in Lasmo to 29.9%

BY MAX WILKINSON, RESOURCES EDITOR

Rio Tinto Zinc, the mining, industrial and energy group, yesterday signalled its continuing interest in **London and Scottish Marine Oil** by increasing its stake from 25.2 per cent to 29.9 per cent.

This is the maximum stake it can hold in Lasmo under a two-year agreement signed in December 1985. RTZ, which bought the shares in the market, described the move as a consolidation which showed that it valued its stake in Lasmo.

However, the purchase immediately revived speculation that RTZ's medium aim was to take *full control of Lasmo and with* a strong interest in Enterprise Oil.

Under the 1985 agreement, RTZ exchanged its 29.9 per cent stake in Enterprise for 25.2 per cent in Lasmo and undertook not to increase its stake *in Lasmo beyond* 30 per cent for two years.

RTZ had been prevented by the Government from taking full control of Enterprise when it was floated off from British Gas in the summer of 1984.

Yesterday RTZ was taking a cautious line emphasising the uncertainties as to what could happen to the oil price between now and December when it would be able to make a full takeover if it wanted.

In December, Enterprise Oil announced that it was taking over Imperial Chemical Industries' oil and gas interests in a deal worth £115m. In return ICI took 25 per cent of the enlarged Enterprise group.

Yesterday, Lasmo's share price rose 3p to 186p after the news.

See Lex

Smurfit expands overseas: profits of I£56m expected

Jefferson Smurfit, the Dublin-based paper and packaging group, has partly exercised an option to buy the overseas interests of Container Corporation of America, the US group which it acquired last year for $1.16bn (£779m).

It is buying subsidiaries in Italy, Spain and Holland for I£14m. The agreement gave it the right to buy the subsidiaries at dollar book value on December 31 1985, and it says the price is particularly attractive because of the fall in the value of the dollar.

The subsidiaries have net assets of I£31m, while pre-tax and interest profits last year totalled about I£10m on sales of I£130m.

Jefferson said the year just ended was expected to turn out well, with pre-tax profits slightly in excess of I£56m, compared to I£36.7m in the previous year.

The balance sheet remained healthy, with a net debt/equity ratio of about 68 per cent.

It said the outlook for the current year was "most encouraging," with both price and volume being exceptionally positive.

"As a result we can expect a significant improvement in profits if this trend continues for 1987," it added.

Placing buoys Molynx shares

BY RICHARD TOMKINS

SHARES IN **Molynx**, the Gwent-based maker of mountings for closed-circuit television cameras, shot up 47p to 140p when trading resumed yesterday. They were suspended at 93p on Friday pending an announcement.

The rise was triggered by a change in management accompanied by a placing of 39 per cent of the company's shares with UK institutions and individuals at 126p a share.

The shares have been sold by retiring managing director Mr Stan Edwards, his associates, and other board members. Mr Edwards is being succeeded by Mr Nicholas Mavrikakis, and other board appointments are expected in the near future.

The placing of the 1.37m shares was arranged by Johnson Fry, the finance house best known for its sponsorship of Business Expansion Scheme ventures.

Inspectorate buying Nationwide Leisure

By David Thomas

Inspectorate E&E Group, the UK subsidiary of Inspectorate International, the Swiss quality control group, has made a recommended offer for **Nationwide Leisure**, the holiday, caravan park and retail company, which values Nationwide at £8.3m.

The offer is 77½p for every Nationwide ordinary. Yesterday Nationwide closed down ½p at 76½p.

The boards of Nationwide and Inspectorate said that although the offer was at around the level of the current market price, it represented full value for the company and was a significant remium to the average price ruling recently.

The directors of Nationwide and some other shareholders have accepted the offer in respect of 4,251,756 ordinary, representing 39.7 per cent of the ordinary capital. A further 190,000 ordinary (1.8 per cent) is held by an associate of Inspectorate.

Nationwide shareholders will keep any dividend declared for the year ended October 31, but Nationwide will not be recommending a net dividend for that year of *more than 2.5p per* ordinary.

Lazard Brothers will make an offer on behalf of Inspectorate for each of Nationwide's issued 8.75 per cent cumulative preference stocks when the document containing the ordinary offer is sent to shareholders.

Inspectorate said it had made the offer because Nationwide would extend its existing service businesses.

Textures Jersey

Textured Jersey, maker of knitted fabrics, suffered a fall in pre-tax profits from £533,000 to £316,000 for the six months to October 31, 1986, despite a higher turnover of £9.37m, against £8.72m.

Last year's profit included a £100,000 exceptional receipt in respect of the Fire at Corby in September, 1983.

The company said the business had incurred significant increases in costs, which it had not been possible to offset over an increased volume of production and thus profitability had been adversely affected.

After tax of £111,000 (£213,000) earnings per 10p share were down by 3p to 5.27p. The interim dividend is maintained at 2.25p net

Aran looks to better times

Aran Energy, the Irish exploration company waiting to cash in on its Alba field discovery, has not escaped the setback in the world-wide oil industry.

For the nine months ended September 30 1986 its pre-tax profit fell from I£1.17m to I£275,000 (£265,000), with the after balance showing a loss of £225,000 (profit £697,000).

But the directors said the company was particularly well placed to take advantage of the present recovery.

Effectively, the company incurred a loss of I£438,000 (£423,000) in the third quarter, compared with a profit of £1.43m. The acquisition of Petrolex was expected to have a major impact in the second half of the year, the directors intimated at the six months' stage.

The acquisition of Petrolex put Aran into the North Sea and gave it a 4 per cent interest in the Alba field. That could be the fifth largest oil field in the North Sea, based on the report that it holds 700m recoverable barrels.

The directors said the future of the Alba field would have a major bearing on the value of the company, and might enable it to share in the profits of substantial petroleum production on a scale very much larger than from any of its discoveries to date.

A number of other licence interests of Petrolex in the Southern Gas Basin of the North Sea were disposed of for an aggregate I£2.6m. These reflected a broad policy of, in general, concentrating on oil rather than longer term gas interests in the light of the company's expectations as to relative oil and gas price and market directions.

Elsewhere, the directors said Aran had seen successful exploration and appraisal results, and reserves were greatly increased. This year the company would be involved in a series of significant exploration and appraisal programmes.

During 1986 revenues from the Forties field (0.25 per cent interest) and from the Kinsale Head Royalty were sharply reduced, reflecting the drop in oil prices and lower gas intake.

The recovery in oil prices towards the end of the year rose from agreement reached by Opec. In the company's opinion Opec will maintain a balance to support a price of around $18 per barrel in the short term with a consistent trend thereafter.

"Such a prospect for oil prices points to a satisfactory return from the exploration and production activites of the company."

SHARE STAKES

Changes in company share stakes announced over the past week include:

Acatos and Hutcheson—on January 27, chairman, Ian Hutcheson purchased 10,000 ordinary shares at 260p each.

A. G. Barr—Director and trustee G. M. MacLaren acquired 39,000 ordinary shares and now holds 42,000 (0.7 per cent).

Microsystems—After recent *share sales the following directors'* holdings: Dr R. J. Harding 3,344,000 beneficial (*non-beneficial 276,973) and M. J.* Jackson 3,344,000 beneficial (non-beneficial 276,973 shares).

American Business Systems—The following directors shareholdings are: F. McPeak 16,700,614 (4.5 per cent), D. Doyle 14,385,714 (3.9 per cent), C. H. B. Mills 100,000 (0.03 per cent) and R. J. P. Morton 10,000 *shares (0.003 per cent).*

Cakebread's—Director F. I. Cakebread disposed of 10,000 "A" ordinary non-voting shares.

Holt Lloyd International—On January 26 director F. J. G. Pert *sold 46,946 shares.*

Prestwich Holdings—P. A. Levinson exercised an option to acquire 800,000 ordinary at 25p per share and by further consideration on the sale of Palan Entertainment Corporation acquired 1.8m shares. His holding now represents 24.03 per cent.

FINANCIAL TIMES SURVEY

Tuesday February 3, 1987

Oil Trading

Both traders and analysts have struggled as the forecasts proved wrong. Large swings in the oil price have made traders think hard before taking risks.

Hisham Nazer, the new Saudi Oil Minister, faces questions before December's Opec meeting

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Opec hangs on to control

IT IS DIFFICULT to know who has had a more taxing time over the last 15 months, the oil trader or the oil analyst.

The trader must have acquired at least a few grey hairs as the price swung from more than \$30 a barrel to less than \$9 and then back to about \$18. Meanwhile, the analyst suffered one humiliation after another as successive forecasts had to be torn up.

Indeed, one might have expected that the series of extraordinary and unexpected events of 1986 would have killed off oil price forecasting altogether. But while most oil companies have given up making definite predictions in favour of offering a range of alternative "scenarios," there remain a good few analysts and onlookers still bold enough to forecast what the price of oil will be in 12 months' time.

Such predictions reveal a want of consensus. Some say that 1986 was an aberration—that 1987 will be far more stable and oil prices are likely to end the year higher than at the outset, after a possible setback during spring.

Others argue that price volatility has become a new fact of life and attempts to establish a stable price as high as \$18 for more than a month or two are doomed to failure.

Last year fell into two quite distinct halves divided by a U-turn in Opec policy. For the first part of the year Opec was gunning to increase its market share, members were even more than usually at odds with each other, and prices collapsed.

In August, just as the market had decided that Opec had lost control altogether, suddenly a production sharing agreement was patched together—by dint of Iran suggesting that war-damaged Iraq should be exempted from the agreement. Prices rose by about \$5 in the space of a few days.

The sacking in November of Sheikh Yamani, the Saudi Oil Minister, underlined the fact that Opec policy had changed. The first aim of Saudi Arabia, at least, had become to reverse the increasingly damaging decline in the oil price rather than attempt to stretch its share of the market.

The December Opec meeting, the first to be presided over by the new stand-in minister, Mr Hisham Nazer, was more successful in achieving the Saudi objective than almost anyone had thought likely. Not only was a new lower collective ceiling agreed upon, but members unexpectedly agreed to fixed prices, with the result that spot prices almost immediately rose to the chosen Opec level of \$18 a barrel.

Since then a period of relative—and some would say ominous—calm has crept over the markets. Although the new fixed price system came into effect two days ago, it may take some months before any real clue emerges as to whether the system is holding.

So far the indications are mixed; although many customers have responded coolly to such arrangements, Opec appears to be taking a fairly tough line in enforcing the new agreement. It is challenging the market to call its bluff.

Irrespective of whether or not the new agreement is sustained, the market, having survived 1986, will no doubt adapt accordingly. Perhaps more remarkable than the recent marathon movements in the oil price itself, has been the resilience of the market itself, scraping through almost without casualty among its players.

For a brief period in February last year things seemed about to come unstuck in the Brent market in London, when traders walked away from contracts on which they were showing large losses. For a moment it seemed that many bankruptcies and failures would follow, and the future of the informal 15-day market for Brent crude seemed doubtful.

However, within a few months things had more or less returned to normal. Few if any players failed, as the majors made a bid to save the market.

Since then the Brent market has survived without mishap three further periods of wild price volatility: the plunge to below \$9 in the summer, and two unexpected and dramatic recoveries, prompted by the August and December Opec meetings.

The recent resilience of the market in the face of such large swings indicates that traders have been keeping their risks to a bare minimum. Although eliminating risk in a market where prices can change suddenly and dramatically is not easy—there were several days last year when the price moved up or down by \$2 within hours or even minutes—traders reacted by covering any exposed positions as quickly as possible, and then withdrawing until prices settled down.

Last year not only made traders think long and hard before taking risks, it also shook the conventional wisdom of the market, as prices crashed through one supposed "floor" after another. Crude prices could not fall below \$25 was the view in 1985.

Soon \$25 became \$20, then \$15, then \$10, and just as everyone had decided that \$5 was a real possibility, at least for a short time, the price suddenly rose soaring by 50 per cent in the space of a few days.

There could be no better advertisement for the benefits of hedging than price movements on this scale. Hardly surprisingly, oil futures had a record year in 1986, with the popular crude oil contract on the New York Mercantile Exchange (Nymex) and the gas oil contract on London's International Petroleum Exchange (IPE) both showing volume gains of about 100 per cent.

Trading in West Texas Intermediate crude (WTI) contract on Nymex became so popular that on an average day 40m barrels of crude oil changed hands, while on one day in the middle of December, the busiest yet, nearly 100m barrels were traded—more than twice the daily consumption of oil in the non-communist world.

With such huge volumes, for much of the year Nymex led movements in all other oil markets. By mid-morning in London trading would go quiet waiting to see what kind of lead would be given by the futures traders in New York.

Price volatility has not only transformed the market for oil futures but has rejuvenated crude and products markets all over the world.

As hedging has become more and more important, traders have had to learn a new battery of skills. Rather than do anything so unsophisticated as punt on whether the oil price will rise or fall, they have increasingly made (and lost) money from trading one sort of crude against another, or one month against another.

As a result the structure of the market has become much more logical, with any anomaly unlikely go to unspotted for long.

Some of this increased efficiency has been caused by the Wall Street Refiners. These strong and wealthy players are a recent addition to the oil market, and have brought with them trading skills long employed in financial markets.

One of the most interesting new ideas that traders have had to learn over the past two years, they are now being asked to unlearn: the netback contract. These deals, which tie the price paid for crude to the price the buyer would receive for his products at the refinery gate were introduced by Saudi Arabia in 1985 as a part of its plan to increase output.

However, in its efforts to re-establish fixed oil prices Saudi Arabia is now going through the tough process of weaning its customers from netbacks.

These deals turned the pattern of oil trading inside out. The risk of an adverse price movement, once the baggage of the oil refiner, was shifted to the producer. By offering such attractive selling terms, Saudi Arabia increased its oil production from about 2.2m barrels a day in the first half of 1985 to a maximum of nearly 6m barrels last summer.

To ensure a steady stream of buyers, Saudi Arabia and most other Opec members started offering discounts of up to \$1.50 a barrel.

Such discounts exaggerated the already considerable attractions of netback deals to refiners. No matter how low the price they received for their products, it paid to produce a maximum capacity, as a margin was effectively guaranteed.

The result was refineries were more profitable than they had been this decade, a heavy glut of product was created, and prices fell sharply.

Now, just as traders were coming to terms with the daunting complexities of the netbacks pricing—which make it impossible to tell what any customer is actually paying for his oil because the price depends on the relative yields of his refinery, costs of refining and the size of the negotiated discount—the system is being phased out.

Whether Opec will succeed in weaning its customers from netback deals altogether is doubtful, but they are unlikely to dominate the market as they had done previously.

Lucy Kellaway

Opec

Control of the market is still shaky

Sheikh Yamani: sacked after politics won

A REMARKABLE consensus is now emerging between governments in the industrial world, the major oil companies and producing countries that $18 per barrel is a better price for oil than $15.

Those who would like a higher price mostly concede that it cannot be achieved for the time being. Those consuming countries which might gain immediately from a lower oil price have several reasons for welcoming the rise to $18 in January.

First, a stronger oil price must significantly lessen the risk of a renewed debt crisis among oil producing countries such as Mexico. This is a particularly important consideration for the US, but must also weigh with countries which have no oil, particularly Japan and West Germany.

However, a stronger reason for hoping the price rise will be sustained is that, at $18 per barrel, demand for crude in Western consuming nations will be restrained while at least some incentive for continued exploration and development will remain.

At present rates of depletion, the known US reserves will be near exhaustion in about 10 years. The UK's North Sea oil has now reached a peak and production will tail off fast over the next 15 years, so the rate of exploration and development is critically important—for the health of the offshore supplies industry, for government revenues and for the balance of payments.

In the US and the UK a price above $20 per barrel is probably needed to give oil companies the incentive to develop the smaller and more difficult oilfields, which seem likely to provide a large part of additions to reserves in the next decade or two.

However, a price of $18 per barrel is very much better than $15, for two reasons. the first is the obvious fact that more projects can look marginally profitable at the higher price, particularly in view of the collapse of prices for drilling equipment and the drive for economies at every stage.

However, a subtler, though equally important effect is to emphasise that the Organisation of Petroleum Exporting Countries is still in rather shaky control of the oil market.

Even though the success of Opec's latest effort to push up oil prices remains in doubt, it seems at least to have convinced the oil markets that prices are unlikely to go into free fall as they did for a few giddy weeks last year, when the price of Brent crude dropped below $9 per barrel, and $5 was being discussed as a sober possibility.

The rise to $18 emphasised that $5 and probably $10 per barrel is now a political impossibility for Saudi Arabia. Whatever the logic of its own interests, the kingdom must keep balance on a political high wire between the warring factions of Iran and Iraq against a turbulent background of argument between those countries like itself and Kuwait, which want a lowish price to improve the markets for oil, and those like Iran, Iraq and Libya, whose main imperative is for revenue now.

The decision by King Fahd to sack Sheikh Yamani after almost a quarter of a century as Saudi Arabia's Oil Minister, signalled to the world that the forces of politics had won. The medium-term strategy associated with Sheikh Yamani's introduction of netback pricing and the drive to recover lost sales was dumped in favour of the simple imperative of getting $18 as soon as possible—but with as little sacrifice of Saudi production as possible.

The initial success of the new Saudi strategy has already made a significant impact on the thinking of the oil companies.

On the other hand, the turmoil of the last year, with the succession of almost monthly Opec meetings, has in a sense charted the depths to which the oil price might fall. A consensus seems to be emerging that Opec's "pain threshold," or the political limit which must eventually force another production sharing agreement is about $15.

So even if cheating on quotas and fixed prices means that a higher price cannot be sustained indefinitely, a lower price is unstable also.

The range of uncertainties may therefore be rather narrower than last year, when the oil price halved from the autumn 1985 level of $30 and then for a short time halved again. This year the earnest hopes of the major oil companies that the oil price should stabilise, preferably at around $18, may even contribute to the success of Opec's strategy.

The price movements of last year showed clearly that although the market cannot ultimately escape from the fundamental forces of supply and demand, psychology and sentiment have become enormously important.

Last year the desire of most of the major oil companies for a higher and more stable price probably had little effect on market sentiment. However, in 1987, it may be that the oil companies' common interest in a firmer oil price will find a way of influencing the market, though not by any explicit agreement, which would unleash the power of the US anti-trust laws.

Nor will it be as a result of old-fashioned directives from corporate headquarters to the trading arms of the major oil companies. In recent years trading divisions have had to operate much more independently than they used to do. Even were that not the case, fierce competition in refining means that every oil company must strive for the cheapest price it can get, cargo by cargo.

Yet if Opec can make its new fixed price system stick, it may be that in some mysterious way, the majors will turn out to be supportive of the new regime. It will be a delicate, rather unstable balance. So long as everyone plays the fixed price game, oil companies as a group will have little more interest in breaking the consensus than will producers as a group.

However, as soon as the producers' ranks are seen to be wavering, it will be every man for himself in the pursuit of a marginal advantage.

Many people think this will happen as demand slackens in the Northern hemisphere this spring. Even before then, stocks are sufficiently high to keep producers on the defensive, especially as there is little expectation that prices will rise much above the current level of about $18 per barrel.

Since some oil now in stocks was bought at $10 or less, oil companies could well reduce stock levels, particularly if they dislike contract terms offered by Gulf producers.

The major oil companies have so far been reluctant to accept Saudi Arabia's proposed five-month contracts, and have continued to sign one- to two-month deals. However, longer-term deals are now being negotiated with a number of producers.

The major uncertainties remain what will happen when the present system of fixed price differentials is seen to be out of line with market realities, and what will happen when demand drifts below Opec's desired level of supply.

Nobody knows with any precision what preference refiners will show for the heavier crudes in the new fixed price structure. If the lower-priced heavy crude are preferred, producers of lighter blends may find themselves starved of volume unless they offer discounts from the fixed price. If this happens on a large scale the whole price edifice will be in danger of collapse.

The other big question is how Opec will react when total demand exceeds supply, perhaps as a result of "cheating" or as a result of a fall-off in consumption. Yet another Opec meeting might be called to fix new smaller quotas; but the credibility of Opec pacts may soon suffer from diminishing returns in the market.

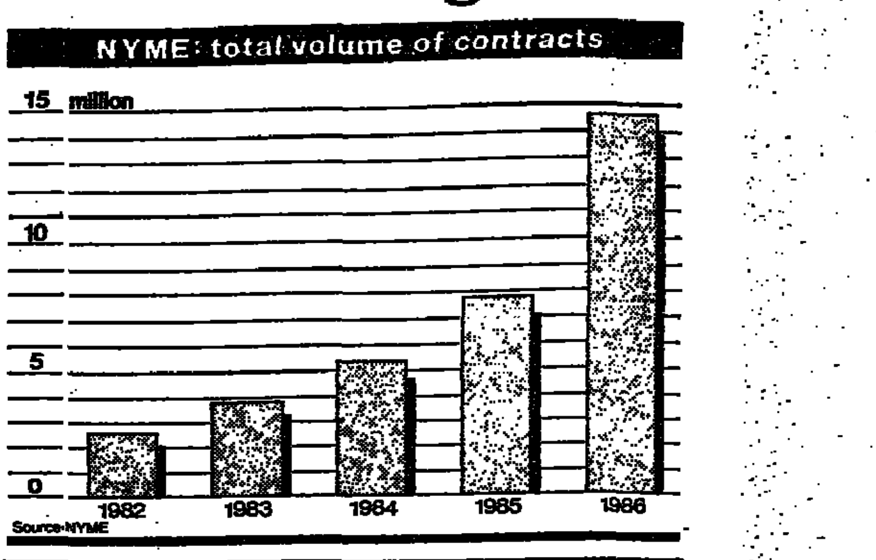
It seems unlikely that the system can operate with anything like smoothness unless Saudi Arabia once more takes on the role of swing producer. This would be consistent with King Fahd's stated imperative of supporting an $18 fixed price.

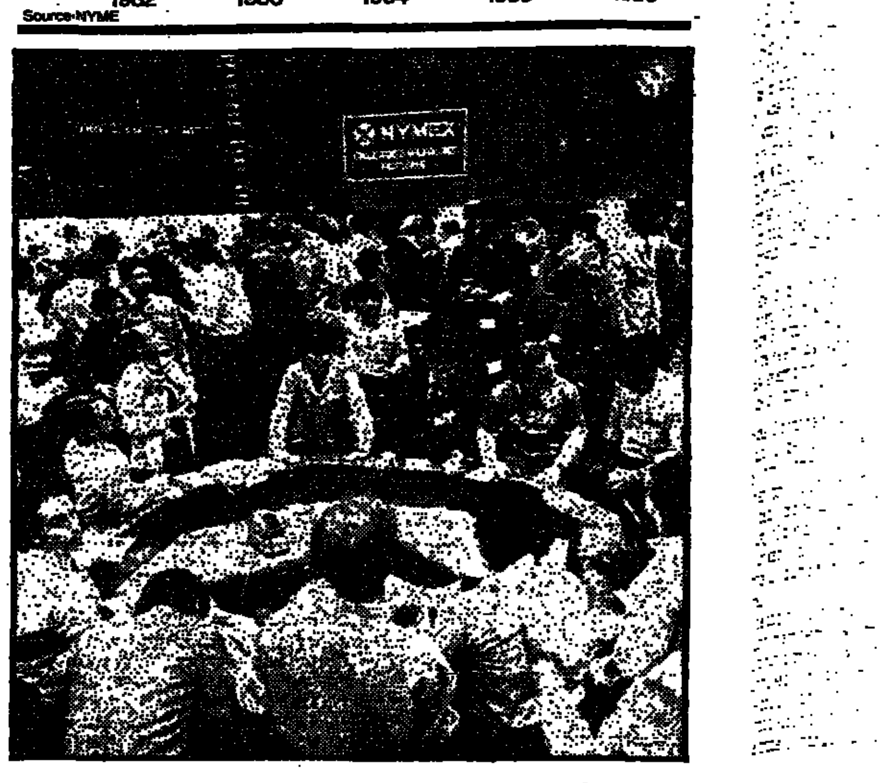
However, the King's reported views and Saudi Arabia's recent actions suggest great reluctance to reduce output much below the present quota of just over 4m b/d.

Max Wilkinson

Nymex in New York has fought hard to consolidate its position, led by its crude oil futures.

Experience wins over Chicago





THE NEW YORK Mercantile Exchange has had to fight hard over the years to consolidate its now undisputed position as the doyen of energy futures exchanges.

In the process, it has confounded both the huge Chicago exchanges which still dominate the industry as a whole and the many sceptics who initially sneered that the oil market would never be volatile enough to support a string of futures contracts.

The exchange first began to dabble in energy futures at about the time that Opec assumed ascendancy in the struggle for price control, in succession to the Seven Sisters. In 1973, Nymex launched a heating oil and residual contract which flopped due to quality specification and an unworkable location.

Five years later, it tried again. The heating oil contract which took root then, with a few local jobbers and distributors as the only commercial users, has blossomed into Nymex's second most heavily-traded future with volume last year totalling 3.28m contracts. Leaded and unleaded gasoline futures followed in 1981.

The experience and infrastructure gradually accrued in the early years was to stand the exchange in good stead when the battle with Chicago began in earnest with the move into crude oil futures in 1983.

The Chicago Board of Trade, the world's largest futures exchange, had already signalled its intentions by launching its own heating oil and unleaded gasoline contracts. Neither caught the trade's imagination, however, and both were ultimately delisted after less than two years of trading.

Crude oil was a different story, with the two rivals launching their contracts simultaneously on March 30, 1983. Few expected the relatively lightweight New York upstart to be able to live with the muscle and influence of the world's largest and most prestigious futures forum.

And so it proved. By the end of the first month, the Cbot had traded over 30,000 crude oil futures contracts, compared with just 14,000 on Nymex.

By the end of the fifth month, however, the roles had been reversed. While Nymex's volume had risen marginally to just over 16,000 contracts, the Cbot's had plummeted to nearer 6,000.

In retrospect, the Chicago flop was blamed on two factors: the Windy City's lack of an established core of energy traders like the one which Nymex had developed via its early products contracts; and the complexity of its delivery and payment mechanism. These handicaps quashed the initial enthusiasm of many south-west US businesses which needed an instrument like the Cbot's light Louisiana sweet-based contract which allowed for delivery on the Texas Gulf Coast, the largest oil hub, as opposed to New York.

Having seen off the competitive threat from one huge Chicago exchange, Nymex was forced to confront the other when the Chicago Mercantile exchange went ahead with its plans to initiate an energy futures complex in March 1984.

By this time, New York's hold on the market was too well-established to be shaken. The CME contracts were effectively still-born. "We couldn't have launched them any earlier," says one CME official looking back on the failure. "We didn't have any room on the trading floor. By the time we did, it was probably a year or two too late."

Today, Nymex's dominance of the US exchange-traded energy futures and options patch is complete. Outside the four contracts which now comprise the Nymex energy complex (crude oil, heating oil and unleaded gasoline futures and crude oil options), only the New York cotton exchange's moribund propane futures, first listed in 1971, survives. There are plans for even propane futures to switch to Nymex as soon as contract changes, designed to make the instrument more appealing, have received regulatory approval.

The launch of crude oil options on November 14 was probably the main event for Nymex in 1986. Despite concern in some quarters that the contract would not prove an overnight success, crude options out-traded every other US soft commodity option on their launch date and have since settled down to a highly satisfactory daily average of some 4,500 lots.

Interestingly enough, the new option's initial user profile is said to differ markedly from the exchange's underlying and highly liquid crude oil futures contract.

Various financial institutions appear prepared to adopt a much higher profile in using them in more orthodox fields. "Options have brought some Wall Street institutions, insurance companies and, indirectly, banks to the market," Mr Michael Marks, the Nymex chairman, confirms.

"If they are not hedging their energy portfolio, they are experimenting with intent to do so," he adds.

"A lot of people are experimenting," agrees Mr Peter Beutel, assistant director of the energy group at Elders futures. "Options strategies are very fragmented at the moment."

Conversely, according to Mr Lawrence Goldstein of Petroleum Industry Research, some big users of the futures market, like independent marketers, are not using options. "These companies typically don't have the expertise or an in-house expert," he explains.

The next new contract launch on the exchange will almost certainly be another option—this time on heating oil futures.

The target period for start-up is currently summer 1987, in time for the peak trading season. By then, in Mr Marks' view, the exchange will have had a reasonable time to digest crude options and should be ready to try something new.

At this stage, there seems no reason to doubt that the mature heating oil futures contract is capable of supporting an option. While heating oil can no longer rival the crude futures contract for volume, business nonetheless jumped a healthy 48 per cent in 1986.

Later, the exchange hopes finally to launch the world's first futures contract in natural gas—perhaps some time in the second half of this year. The project has been over two years in the pipeline, owing to difficulties in working out an appropriate delivery procedure. But exchange officials have indicated that these may now be close to resolution.

Nymex holds high hopes for such a contract, based on the increased volatility in gas prices prompted by the process of deregulation currently under way in the US gas industry. Observers believe that interest would initially be confined to the US domestic market, however, owing to the continued rarity of spot trading in gas elsewhere.

For the moment, the exchange appears well set to continue its rapid growth on the back of the continuing price volatility in its chosen market niches.

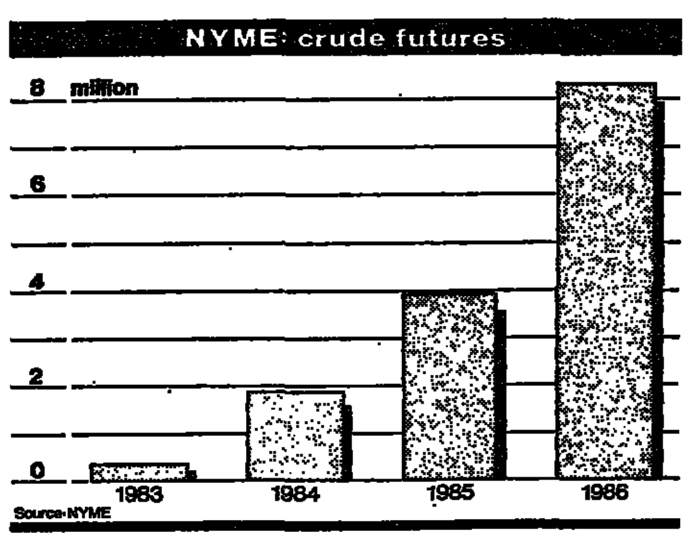
However, the positively explosive expansion of last year is more likely to be the exception than the rule, based as it was on the happy coincidence of almost unprecedented volatility in two key Nymex commodities (crude and platinum).

The huge Chicago exchanges that New York aspires to rival have learnt that it pays to maintain a diversified portfolio. However institutionalised volatile oil prices can be subject to rapid change—as Nymex risks discovering to its cost.

Recently, rumours have started circulating again about a possible merger between two or more of the four rival cohabitants of New York's commodity exchange centre. In such unpredictable times, the mutual benefits of such a move shine through more clearly than ever.

David Owen

Pros and cons in WTI contract



THE NOSTALGIC tend to get pretty short shift in the futures industry, so there will probably be few tears shed at the fast-ghrowing New York Mercantile Exchange when potato futures finally close at the expiration of the May 1987 contract.

True, the contract has not exactly numbered among the most active in the industry lately: daily volume in 1986 averaged just 66. But it was the exchange's backbone for most of the post-war period until 1975.

The delisting is therefore vested with considerable symbolic importance for Nymex. Not only does it mark a definitive break with the past, it also underlines the exchange's confidence in its current portfolio of energy and precious metals contracts as a firm base for continued growth.

This confidence will certainly have been bolstered by the exchange's 1986 performance. Overall volume climbed almost 89 per cent to 14.8m contracts. While arch-rivals Comex remains for the moment New York's largest futures and options forum with total volume of 16.5m, Nymex fulfilled a long-held ambition last year by overhauling its struggling neighbour in terms of futures volume alone.

Despite outstanding growth in several other contracts - notably platinum and unleaded gasoline futures - Nymex's flagship remains its crude oil futures. As oil prices have moved from the relative stability of a producers cartel to the switchback world of a free market, crude futures have come into their own in no uncertain terms. In all, some 8.3m contracts (1,000 barrels each) changed hands in 1986 - well over double the 1985 volume of 3.98m.

So large and liquid has the contract become that it is now established as one of the major indicators in the short-term physical oil market. "No one would be doing business on wet (physical) barrels without considering Nymex movements in the recent past," says one European oil company executive. as a Nymex survey conducted during the first six months of last year shows, the contract (like the energy complex as a whole) has also succeeded in attracting a wide and still expanding base of users.

The exchange now claims that five of the big six oil majors are among its largest players, as well as a range of oil marketing companies, investment houses, refiners and others. The survey does not name names but it is widely accepted that the absent major is Exxon, the daddy of them all. "Since the company deals in wet barrels, futures are not very useful for our operation," Mr Lawrence G. Rawl, Exxon's president, said last year.

While crude oil futures continue regularly to attract new users, and lately particularly among non-US national oil companies, there is clearly also room for expansion in the activities of many of those who are using the market already. "The producers have extended their use in recent months but it is still not significant compared to overall volume or potential," Mr Michael Marks, the exchange chairman, maintains.

It is now well-known that Mr T. Boone Pickens Jnr, chief executive of Mesa Petroleum, hedged the bulk of the company's 1986 crude output on Nymex. But it is much commoners for producers to use the market more selectively, cashing in a clear price advantage here, looking to hedge unexpected physical market exposure there. "Its handy if you buy a cargo of crude and don't know exactly what the products will be worth," according to one major oil company executive.

As more and more in the oil trade weigh whether to plunge into the Nymex fray or extend their existing participation further, one of the prime considerations must be how far an essentially paper West Texas Intermediate-based (WTI) futures contract can provide an adequate hedging medium not only for wet WTI barrels but also for other crude grades and products.

Certainly, WTI, accepted as the domestic US market crude, does not maintain a constant price differential to say, Brent, the European marker. "WTI is still a regional thing influenced by micro-peculiarities," says Mr Lawrence Goldstein of New York-based Petroleum Industry Research.

Indeed, the speed with which any short-term distortions in the two grades' normal price relationship are correct can be slowed by the fact that US-produced crude cannot normally be exported.

In other words, anyone seeking to hedge Brent with Nymex is necessarily exposed to a changing basis risk.

Of course, seasoned traders and most of the large financial institutions have become adept at managing basis risk over the years. "The basis risk is something that you evaluate and quantify and take into account," says Mr John Drury, manager of trading in J. Aron's petroleum division. J. Aron is one of a handful of US firms reported to be adopting a much higher profile on the Brent market than in recent months. Some banks are even said to be setting up "boutiques" to help clients to hedge products are not specifically traded.

The consensus view though appears to be that while Nymex crude futures are far from useless for hedging other grades and even other oil-based products, the present situation is not ideal, "Nymex doesn't fulfill all needs for all hedging purposes", says J. Aron's Mr Drury.

Accordingly, many believe that there is room for a regulated market in other crude oil grades, notwithstanding Nymex's success and the unhappy experience of London's international petroleum exchange in trying to get a cash-settled Brent-based contract off the ground.

There is room for a Brent contract," according to Mr Peter Beutel, assistant director of the energy group at Elders Futures in New York. "If a Brent or Dubai contract were offered, it might draw some business away from Nymex, he adds.

Nymex officials are unlikely to be losing much sleep over such projections just yet, however. For the moment they continue to ride high on the oil market's still relatively new-found volatility with scant indication of any outbreak of stability.

Indeed, with many now projecting that the latest bear cycles's $9.75 WTI low mark will stand as the low for the decade, few would be surprised if Nymex crude futures were to register another sharp volume increase in 1987. "As the market moves up, you will see increased speculative and trade interest", says Mr Beutel of Elders. "I think in the next bull market it will rival T-bonds (the most active futures contract in the world" he adds.

In 1986, T-bond futures traded 52.6m contracts on the Chicago Board of Trade. To match that at a time when the overall market share of traditional commodity futures compared with financial contracts continues to decline seems a tall order.

David Owen

OIL TRADING 3

The IPE

Futures contract proves popular

LONDON'S International Petroleum Exchange resents being looked on as a poor and distant relation of the bigger and busier New York Mercantile Exchange.

Mr Peter Wildblood, the exchange's enthusiastic chief executive, stiffens at any such comparison, arguing that in terms of oil products, the IPE is every bit as important, the only difference being that Nymex has a thriving crude oil contract whereas the IPE, after several efforts to create one, does not.

Some might regard Mr Wildblood's protestations as extravagant. However, he does have a point—after its best year so far, the IPE at last has an oil futures contract which is widely used by the industry, is actively traded, and is fully respectable.

Last year about 1m contracts changed hands, nearly twice as many as in any year since the contract was launched in 1981. While some of the rise was caused by the wild swings in the oil price, which made the contract more attractive both to the industry and to speculators, the rest can only be explained by real growth in the contract's popularity.

"There is nothing disreputable in dealing in gas oil futures any more. For the first few years they were seen as speculating, but now everyone uses them," says one oil broker.

The gasoil contract aside, 1986 was also a better year than many for the exchange. However, previous years have been bad indeed, with the monotony of a static gasoil contract broken only by fruitless attempts to launch a crude oil contract.

By the end of last year potential floor members were prepared to pay almost six times as much for a seat on the exchange as they had a year earlier when, following a second abortive stab at the crude contract and with trading in gasoil in retreat, the price of a seat on the IPE had sunk to less than £10,000.

However, potential members still appear to have a lower opinion of the exchange than in its early days when seats quickly climbed from an initial price of £20,000 in 1981 to more than £100,000.

Much of the recent enthusiasm was created by the decision last year to broaden the exchange's net and introduce two new contracts. One was based on heavy fuel oil and a second on gasoline, and along with the existing gasoil contract they were designed to provide users with a whole paper refinery to hedge against.

Things have not worked out quite as the IPE had hoped. The heavy fuel oil got off to a heavy-footed start, with about 50 lots traded most days, whereas in the gasoline trading barely began at all, with many days passing without a single lot having been traded.

This outcome has been a surprise to the people who designed the new contracts. It had seemed at first that the heavy fuel contract was likely to be the less well accepted of the two. Unlike gasoline and gasoil, there is no nationally recognised standard for heavy fuel oil, and all parties have their own ideas—not to say vested interests—about the appropriate specification of the contract.

While the exchange admits that it has not got the final specifications of the contract right, it does not regard the initial response as discouraging. "This was the sort of start we expected. Given patience, the market will grow," Mr Wildblood says.

The exchange plans to concentrate its efforts over the next few months on tinkering with the contract, hoping that by next Christmas it will have achieved a fairly lively market.

By contrast, the gasoline contract is not expected to recover from its snail's start. The spot gasoline market is small and dominated by a tiny handful of players, mostly traders or blenders, who had initially told the IPE that they would be interested in such a contract.

However the group is too small to make up an active market, and in any case are generally all either wanting to buy or to sell simultaneously, and loath to deal in a market without liquidity.

Furthermore, it may be in the interests of the major oil companies that a thriving and transparent market in gasoline should never develop, as such a market arguably could reduce their leeway in setting petrol prices at the pumps.

Meanwhile, a third effort to establish a crude contract is under way, this time with at least a fair chance that it will succeed. Previous attempts failed chiefly because the majors, who would be the dominant users of the crude contract, saw no need for it.

However, following the near collapse of the 15-day Brent market at the beginning of the year, the majors are now at least willing to talk. A special advisory committee in which the majors are represented has met several times and has got as far as drawing up a draft contract.

This would be of a similar size to the spot contract—600,000 barrels of Brent—and physical delivery would take place at Sullom Voe.

The IPE has other tricks up its sleeve for this year. Next will come an option based on the gasoil futures contract. This will be London's first traded energy options contract, and is likely to be ready for a launch in May.

At the moment business in options in London is limited to tailormade options which are being sold by some of the bigger trading houses, but business in these is fairly slack.

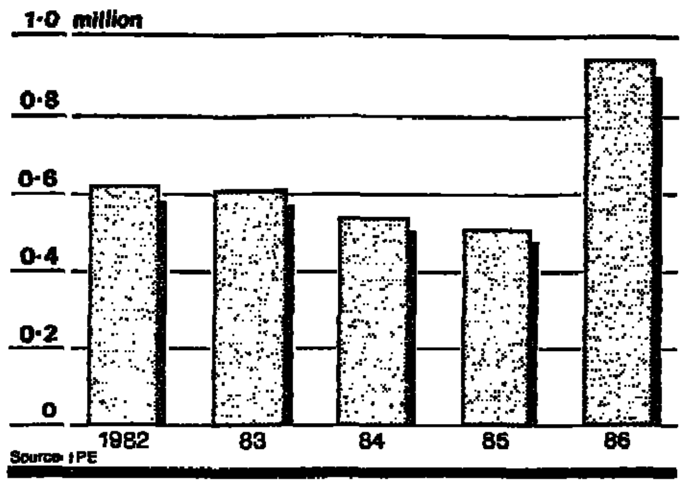
Other changes involve introducing "locals" — traders who buy and sell on their own account—to the London market. Locals are an essential part of the New York futures market, and partly explain why turnover in New York is much higher than in London.

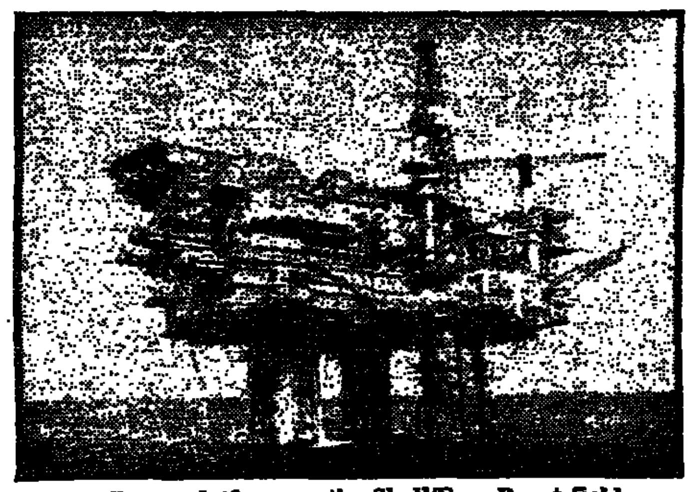
According to Mr Wildblood, only 30 per cent of the trades on Nymex are done on behalf of the industry, compared to more than 70 per cent in London.

The difference is also due to the gulf between the attitudes of British and American speculators to futures markets. While persuading locals to take an active role on the IPE might take two or three years, even on Mr Wildblood's calculations, to persuade the London cab driver that energy futures are worth a flutter is not something that the IPE is even dreaming about.

Lucy Kellaway

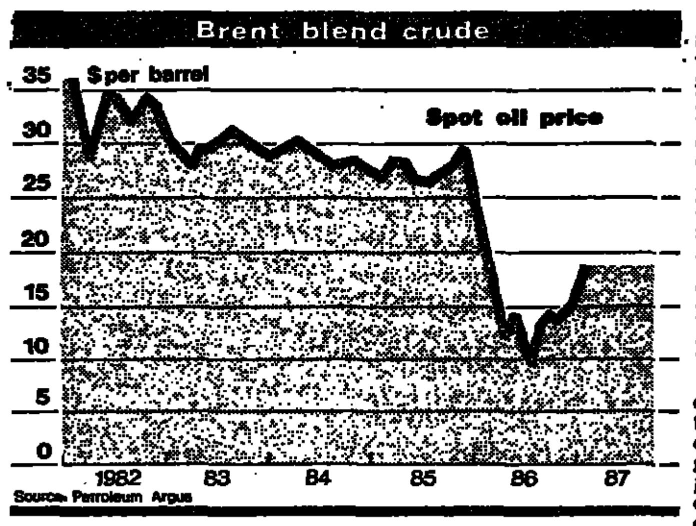
IPE gasoil contracts





The Brave platform on the Shell/Esso Brent field.

Brent blend crude



Oil products

How the consumer outweighs Opec

THE PRICE of oil is not determined by the latest Brent cargo sold on an unspecified day some two or three months into the future. Instead it depends ultimately on the price a customer is prepared to pay for an oil product.

What the American motorist is prepared to pay for a gallon of petrol, what the German family will pay for its tank of heating oil, or the electricity board for a shipload of fuel oil in the end will have more say than any Opec decision. The price of crude might lead the price of oil products in any market climb, but if products refuse to budge then the price of crude will surely come down.

To make sure that oil products reach the customer is how the spot market began. In 1979 when the Islamic Revolution took Iranian production out of world supply many customers were left wondering how to get the products they needed. In stepped the product traders, smoothing out the supply-demand imbalance and taking their profit on the margin.

What began with products, soon progressed to crude. And after crude came the futures as traders hedged against market swings in an unpredictable future.

But last year the future seemed all too predictable. There was too much product around and not enough customers. Not even the great price fall of January 1986 could do much to alter the situation. German families stock up on heating oil in the spring and by December there was 2m tonnes of unsellable heating oil in independent storage in Rotterdam.

Fuel oil more than halved in price, down from $135 a tonne in January to $45 a tonne in July, but the British Electricity Board went ahead and signed a new agreement in May with British Coal to burn coal not oil. Not even the American motorist responded. US gasoline demand was up only 3.5 per cent in the summer of last year; the price of products remained depressed.

Not only depressed but volatile. Products, such as fuel oil which were regarded as ultra stable in price, began bouncing like a yo-yo. Last September the price of fuel oil on the Rotterdam barge market rose 16 per cent in one day and 80 per cent in two months. Even speculative products, like heating oil imported from the Soviet Union—a market known because of its unpredictability as Russian Roulette—became even more unstable, responding hour by hour to variations in the price of futures.

Volatility had some obvious effects. Trade became thin as taking long or short positions over any length of time carried grave risks. Thin trade was punctuated, however, by bouts of rapid activity as price trends encouraged everyone to pile on to the bandwagon, only to jump off again equally rapidly when the trend reversed. This exaggerated each price swing.

In Europe, traders blamed the futures market for the commodity style volatility of oil. Movements on futures were reflected later in the physical products markets as hedging and basic trading interwove the heating oil market with heating oil futures. But to offset forward exposure to risk, traders were tempted to use futures despite much opprobrium directed towards the screens.

However, the IPE in London had insufficient liquidity for full product cargoes to be easily hedged so this served to increase price volatility.

Volatility was unwelcome. Never mind the risk exposure, price instability discourages substitution into oil products. Even if fuel oil was cheaper than coal, no electricity board in Europe wanted to shift to major oil burning for fear of another price rise, and a volatile market develops such fears. The Germans and Swiss families who stocked up on heating oil would not buy as long as there was the possibility of a lower price.

For oil product traders last year was an infuriating challenge. Most survived. Customers stocked up early in the year and then just nibbled as and when the price tempted. Independent traders tried to reduce their risks. Extended market positions were avoided. Trade was linked to futures or to reported prices rather than fixed prices which might be way off the market when the contract matured.

Large trading groups diversified options, often moving downstream as refining profits increased, to become small integrated companies. And the majors rediscovered that their profitable business was selling oil products to customers rather than trading on the spot market.

The spot market, however, continued to grow. Not just through the development of futures markets but through the interconnection of worldwide product trading. But the two main trading arenas outside Europe, the United States and the Far East, have their own individuality but they began to respond along European lines to last year's challenge.

The greatest difference between product trading in the US and in Europe is the huge volume of forward trade in the US caused by the New York Mercantile Exchange—Nymex. Although product contracts are confined to unleaded gasoline and heating oil, almost all clean products are now traded at prices linked to Nymex. This has been one factor helping the volume on Nymex to far outstrip that on London IPE, enabling large cargo volumes to be hedged with far less chance of moving the futures price.

Despite the size of Nymex, some traders have still felt confined by it, as well as finding the margin calls expensive. This has led to the growth in forward trade in heating oil cargoes with delivery into Boston Harbour. Dubbed "Boston Bingo," it is the equivalent of the Russian Roulette trade in Europe, but as yet on a far smaller scale, having been in operation less than nine months.

Most US trade continues at a constant pace. Fuel oil comes out of Venezuela and the Caribbean into the US East Coast in the same way that fuel oil flows out of the Soviet Union and the East Mediterranean terminals into Europe. And just as Russian heating oil comes into north-west Europe, heating oil also heads westwards to the US from the Mediterranean export refineries. But the heating oil trade is also a two-way street, large amounts going eastbound for the US during the January freeze in Europe.

In general, large US oil companies have remained far more integrated in the US than in Europe, the impetus to trade more often coming from a need to balance the refinery's production than to make a quick buck. In international product trading, the traditional picture of the conservative southerner and the streetwise Yankee has more than a grain of truth.

Oil trade in the Far East is concentrated in Singapore. It is strategically sandwiched between two producers, Indonesia and Malaysia, and is little more than a week's sailing from the Indian subcontinent and the newly-developed economies of East Asia. The country's 1m barrels a day refining capacity makes it the third largest refining centre in the world.

Crude oil from the Middle East and Far East producers was traditionally refined in Singapore and then exported to the region's consumers. During the 1970s and early 1980s independent oil traders sprang up catering for marginal demand and supply. The pace of business was slow by international standards as trade tended to focus on regional selling or buying tenders from the newly-nationalised state oil corporations.

Over the past few years Singapore's role has been challenged. The first challenge came from the Middle East—equidistant between Rotterdam and Tokyo—where Opec producers built their own refineries. Refined oil products from Saudi Arabia could go east or west depending on price.

The latest challenge is from Tokyo. As Japan's trade barriers are removed Tokyo looks an increasingly attractive base for international trade. Tokyo's financial houses are looking to oil as an attractive investment and the liquidity of the market is growing.

If current trends continue, the Far East will soon become as well known as the Rotterdam spot market and, along with the US, will become an integral part of the 24-hour worldwide oil market.

Peter Caddy, Mark Schofield, and Chris Johnson

The authors are specialists at Petroleum Argus.

The London Brent market

Need and firmness brighten the year

THIS TIME last year Brent market was in a desperate state. The collapse in oil prices had resulted in a whole series of defaults, both real and threatened, and while the big players wondered how best to clean up the mess, trading slowed to a standstill.

Meanwhile, in the US, activity on the New York Mercantile Exchange was hitting one daily volume record after another with traders sucked into the market by the dramatic price swings, but in the Brent market there was nothing doing.

"The shape of the world trading has changed," the Petroleum Argus weekly oil newsletter said in March. It argued that the Brent market, which hitherto had been just as important as the market in New York, had become of "doubtful significance."

The Brent market had failed the test of the collapse in the oil price because it was too informal, and wriggling out of any deal that did not suit a trader was a relatively simple matter. If the market was ever to recover, tighter regulation would be needed, all the experts said at the time.

However, a year later, and with no radical reforms having been made, trading has nevertheless bounced back, and despite the bad start, 1986 in the end turned out to be one of the busiest years.

The recovery was for two reasons. The first was necessity: the North Sea producers need the Brent market, as the ability to hedge is now central to running their organisations. Only a few weeks after the February collapse they found that they would rather risk further defaults than leave themselves uncovered against an oil price that had resumed its steep slide.

If the majors want to cover their North Sea production there is little alternative than to use the Brent market. Despite the claims of the New York Mercantile Exchange, its West Texas Intermediate (WTI) contract will not do as a world hedging mechanism for crude oil, even though it is liquid enough to serve everybody's needs.

This is because the spread between the WTI price and other crudes can sometimes move almost as much as the oil price itself. While the WTI price should normally command a premium of about 70 to 80 cents over the Brent price, at times last year it was more than $1.50 and at other times had reversed into a small discount.

The second reason for the recovery has been a shift in the sort of players using the market. Rather than try to introduce a tough regulatory structure, the majors protected themselves against a fresh wave of defaults by taking firmer action on the sort of party they were willing to trade with. Following the February upheavals the smaller traders were shaken out of the market altogether.

While this could have produced a serious liquidity problem, they were replaced by a larger and altogether more powerful class of player, the so-called Wall Street Refiner.

From a position of near obscurity a year ago, big US securities houses like Drexel Burnham Lambert, J. Aron, and Morgan Stanley have now come to dominate the market. Indeed, by the end of last year they accounted for well over half of total turnover, compared to a negligible amount just over a year ago.

The oil companies have acquired a schizophrenic attitude towards the new boys in the game. While they welcome their presence for the liquidity which they contribute—making it easier for a major oil company to hedge a very large position—they also resent the loss of control.

It is becoming increasingly difficult to second-guess what the Wall Street firms are up to. At first they merely dealt in paper barrels, dealing usually on a fully-hedged basis, offsetting one month off against another of Brent against WTI.

However they then started taking delivery of oil—not something one usually associates with a securities trading firm. As most of them are still expanding their oil trading division, the oil industry is watching anxiously to see what they are going to do next.

Even though the market is now as active as it ever was, none of the main participants regards the present structure as a permanent arrangement, and a number of solutions are being considered.

The immediate reaction of the majors to last year's collapse was to introduce new contracts which required the buyer to produce letters of credit and so on. However, as different oil companies came up with different solutions, the new contracts that they produced were not interchangeable, and the result was confusion.

Even though the market has survived without mishap last summer's wild price swings, the oil companies agree that the time has come for standardisation, and are considering ways of replacing the bundle of conflicting contracts with a single one. However as they have been slow to move so far, some doubt whether a truly uniform contract will ever be produced.

More radical moves are also afoot. One would involve moving the whole market on to the trading floor of the International Petroleum Exchange, where trading is tightly regulated, and where there would be a central clearing house for all deals.

Such an idea is not new, and the IPE has been trying to implement it for the past three years with no success. This time the big oil companies, which had previously preferred to look after their own patch themselves, are now at least willing to talk. A committee on which the major oil companies are represented has been formed to try to smooth out remaining difficulties.

Meanwhile, a softer alternative—that of establishing some form of clearing house to bring order to the existing forward market—has also been proposed by a number of different companies including some of the large US banks.

Because a clearing house represents a smaller step from the existing system, and because the majors prefer to be able to select their trading partners for themselves rather than accept the anonymity of a futures market, this is the option—if any—most likely to be chosen.

A further uncertainty concerns the changes to the system of calculating a company's petroleum revenue tax liability. Last year the Government suddenly announced that it was to crack down on tax spinning, whereby oil companies sell their oil to a third party in order to make their liabilities as low as possible.

Lucy Kellaway

FT LAW REPORTS

Avoidance scheme results in higher tax

FRASER STEPHEN BIRD AND OTHERS v INLAND REVENUE COMMISSIONERS
BREAMS NOMINEES LTD AND ANOTHER v INLAND REVENUE COMMISSIONERS

Court of Appeal (Sir Nicolas Browne-Wilkinson, Vice-Chancellor, Lord Justice Balcombe and Lord Justice Bingham): January 30 1987

***COUNTERACTION* by the Inland Revenue to a tax advantage obtained under a tax avoidance scheme is based on the contrast between tax payable under the scheme and that which would have been payable had there been no scheme; but the counteracting assessment should not give credit for tax liability arising from transactions within the overall scheme, though the total burden falling directly or indirectly on the taxpayer may be higher than if the scheme had not been adopted.**

The Court of Appeal so held with reluctance, when dismissing appeals by Fraser Stephen Bird and others, and Breams Nominees and another, the taxpayers' personal representatives and trustees respectively, and allowing cross-appeals by the Inland Revenue, from Mr Justice Vinelott's decision (*[1985] STC 584*) upholding in a reduced amount assessments to income tax made as counteraction to a tax advantage.

Section 460(3) of the Income and Corporation Taxes Act 1970 provides: "Where this section applies to a person in respect of any transaction . . . the tax advantage obtained . . . shall be counteracted by . . . assessment . . ."

THE VICE-CHANCELLOR said that prior to 1971 a valuable property in Croydon belonged to a company called Croydon Centre Development Ltd (CCD). It was thought to be worth £10.2m and was charged to an American bank to secure a debt of £5.8m.

The share capital of CCD belonged 70 per cent to a company called Ilmarish. The shares in Ilmarish belonged to the taxpayers.

It was desired to realise the Croydon property and distribute the net proceeds. If that had been done in the conventional manner it would have given rise to cumulative tax charges, which would have absorbed most of the proceeds. The parties went to Bradman and Fraser for advice as to the avoidance of tax liability.

Bradman devised a scheme. It was immensely complicated and fell into four parts—the "property," "share," "extraction" and "loan" schemes.

By the use of Bradman companies and the circulation of borrowed money, Ilmarish sold its shares in CCD; the Croydon property was sold for £9.8m; CCD acquired cash, £2.39m of which it distributed to shareholders as abnormal dividend; and £2.43m was lent to the taxpayers by Interlude, a company wholly owned via another company by Ilmarish, and controlled by the taxpayers.

The Inland Revenue issued notices against the taxpayers under section 460(3) of the 1970 Act, and made assessments of £1.1m and £972,000.

The Special Commissioners upheld the assessments. Mr Justice Vinelott on appeal reduced them to £945,185 and £756,148 respectively.

The tax advantage obtained could be counteracted under section 406(3) if the case came within the section. Under section 461 C it came within section 460 where ". . . in consequence of a transaction whereby . . . any other person . . . has received an abnormal dividend . . ." the person in question had received consideration in such a way that he did not bear tax on it.

The issue on paragraph C was whether the "consideration" *(ie the loans to the taxpayers from Interlude)* was received by the taxpayers in consequence *of a transaction "whereby" the* CCD shareholders received the abnormal dividend.

Mr Justice Vinelott—relying on the Special Commissioners' finding of fact that there was one overall scheme with a number of constituent parts all directed to a single objective—held that a receipt of money forming part of such overall scheme (ie the payment of abnormal dividend) must be sufficiently causally connected with an earlier transaction in the same scheme (ie the sale *of shares in CCD) to justify* holding that the earlier transaction was one "whereby" the abnormal dividend was received.

The findings of fact by the Special Commissioners were unimpeachable, and the judge's conclusions in law were correct. The circumstances in paragraph C did exist and the case came within section 460.

The "tax advantage" relied on by the Revenue, and found by the Special Commissioners and the judge, was the receipt of the loans from the taxpayers—which under the law as it was then thought to be did not attract tax.

The section 460(3) notices and assessments counteracted the tax advantage by treating the whole amounts paid to the taxpayers by way of loan as assessable to income tax and surtax. Mr Justice Vinelott reduced the amount to be assessed by the amount of the loans which the taxpayers had to repay (via Interlude) to Ilmarish to enable Ilmarish to pay the tax assessed on disposal of its shares in CCD.

The basic approach to counteraction under section 460 was laid down by the House of Lords in *IRC v Parker [1966] AC 141, 178.* There Lord Wilberforce said: "The paragraph presupposes a situation in which an assessment to tax . . . is made or may possibly be made; that the taxpayer is in a position to resist the assessment by saying that the way in which he received what it is sought to tax prevents him from being taxed on it; and that the Revenue is in a position to reply that if he had received what it is sought to tax in another way he would have had to bear tax. . . ."

The Special Commissioners applied that approach by contrasting the receipt which in fact accrued without tax (ie the loans) with a similar receipt which might have accrued in a taxable way (distribution of dividend).

If their computation was *right, the Revenue was entitled* to recover tax in relation to the several steps of the overall *scheme far in excess of that* which would have been payable if the scheme had not been adopted.

The Revenue would recover tax on CCD in respect of the disposal of the Croydon property; on Ilmarish, in respect of the chargeable gain on the sale of CCD shares; and on the taxpayers together in the sum of £2.1m under section 460.

Therefore, if the Special Commissioners were right, directly and indirectly the taxpayers would have to bear tax on well over £2.5m *in relation to a* scheme which in fact produced £2.43m in their pockets — and that only by way of loan.

Although that was not strictly double taxation, since the assessments were all made on separate legal entities, in substance it had all the vices of *double taxation.* It would be a grossly inequitable result. As Lord Scarman said in *Garvin 55 TC24*: "Those who use . . . tax avoidance schemes. . . can expect no mercy; but they are entitled, like the rest of us, to justice."

In *Williams v ICR 54 TC 257* taxpayers received loans similar to those in the present case. It was held that such loans constituted tax advantages in their full amounts, not withsatnding that the lending company had been subject to a shortfall assessment and the taxpayers had been subjected to consequential surtax apportionments. The decision was upheld in the House of Lords.

Mr Justice Vinelott felt able to distinguish *Williams* because there the practical likelihood of the loans being called in was negligible whereas in the present case, in his view, there was a high probability that they would be called in to discharge Ilmarish's tax liability.

The decision in *Williams* was binding and it was not legitimate to distinguish it on those grounds. The nature and value of the receipt by the taxpayer fell to be judged as at date of receipt. In both cases the parties expected never to have to repay the loans or to do so only if, contrary to expectation, a tax liability accrued on the lending company. There was no satisfactory or adequate ground to distinguish the present case from *Williams.*

The court was bound to allow the cross-appeal and reinstate the assessment in the full amount. That conclusion was reached with the utmost distaste, as it was both unfair and oppressive. *It was hoped that* the House of Lords might feel freer to do justice by reconsidering some of the earlier decisions.

In a comparatively simple case like *Parker*, the straightforward contrast between the actual receipt of monies in a *non-taxable way and another* possible receipt in a taxable way gave rise to no anomalies. But in complex cases, like the present, the position was quite different. The case only fell within section 460 because there was one overall scheme designed to transfer the proceeds of sale of a property, free of tax, into the hands of the taxpayer.

If the implementation of such an overall scheme gave rise to tax liabilities, borne directly or indirectly by the taxpoyer, the tax advantage was *pro tanto* diminished. It should follow that any counteraction should take account of such diminution. Power to counteract tax advantages should not permit a notice to be served which went far beyond real counteraction.

It was hoped that the House of Lords might feel able to reconsider the whole matter with a view to ensuring that section 460 could only be used for its legitimate stated purpose, namely, the counteraction of an actual tax advantage.

Lord Justice Balcombe gave a concurring judgment. Lord Justice Bingham agreed.

For the taxpayers: Charles Beattie, QC, and Stephen Brandon (Wedlake Bell).

For the Revenue: Donald Rattee, QC, and Christopher McCall (Solicitor, Inland Revenue).

By Rachel Davies
Barrister

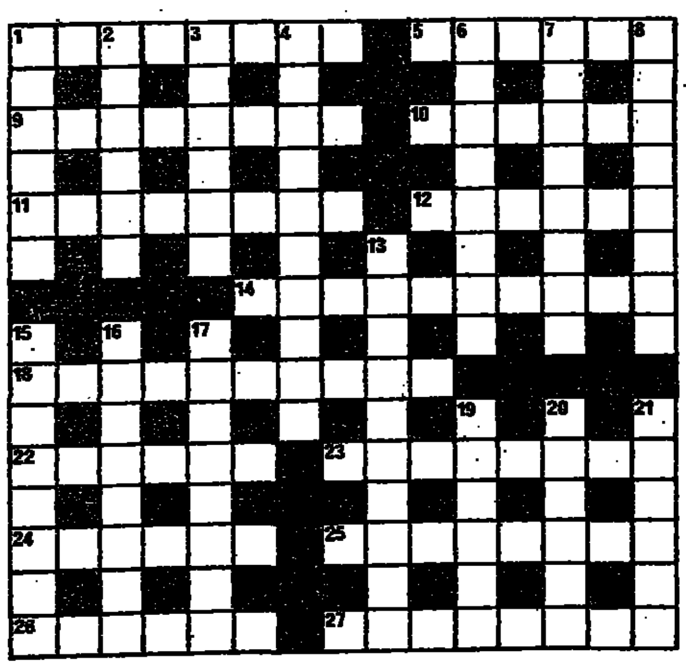
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO. 6,243

PROTEUS



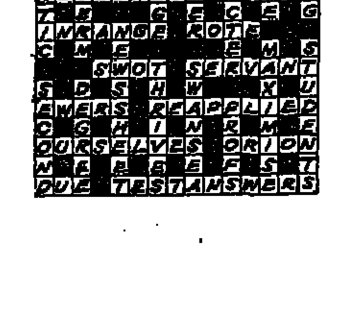
ACROSS

1 Clergyman taking tea at flat (8)
5 Second thoughts about coarse persons of affected modesty (6)
9 Representative of French general holding gun (8)
10 What doctor sometimes is to soldier (6)
11 Assiduity shown in attempt to follow river (8)
12 Ill-humour at the organ (6)
14 Opposed to orchestra receiving smuggled goods (10)
18 Money put on race in China (5, 5)
22 Irish province affording some powerful stereotypes (6)
23 Church accepting a model as guide (8)
24 Tallies of silver fortune-teller returns (6)
25 Pairs off Scotsman with Frenchman (8)
26 Occurrences at flat over the way? (6)
27 Communications in confused state a long time (8)

DOWN

1 Apple turnover nothing to doctor (6)
2 Refer to article about boring egg-head (6)
3 Expert in law for example shown in catalogue (6)
4 Bury runner proves intruder (10)
6 Come back on stage to gather fruit (8)
7 Papal edict to appear at end of year—possibly later? (8)
8 Evening performance dry and perhaps to the point (8)
13 Firm friend of horse next door? (6-4)
15 Exact account by churchman (8)
16 Jam for example girl has to bring to table (8)
17 Share concern (8)
19 Mars booty (6)
20 Sailor finding money in newspaper (6)
21 Game is up for group in hotel (6)

Solution to Puzzle No. 6,242



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	357.0	377.8		—
High Income	305.9	323.7		—
Property	216.6	229.2		—
Managed	258.6	273.7		—
Deposit	177.0	187.3		—
Gilt	180.6	191.1		—
American	260.6	275.8		—
International Money	201.0	212.7		—
Index	109.6	116.0		—
Far East	210.9	223.2		—
Global	103.7	109.7		—
European	108.7	115.0		—
Japan	116.2	123.0		—
Residential Property	96.7	102.3		—
2nd Series Pension Accumulation				
Equity	569.3	602.4		—
High Income	364.4	385.6		—
Property	304.2	321.9		—
Managed	374.3	396.1		—
Deposit	263.4	278.7		—
Gilt	254.9	269.7		—
American	410.3	434.2		—
International Money	289.5	306.3		—
Index	120.5	127.5		—
Far East	233.2	246.8		—
Global	106.1	112.3		—
European	112.6	119.2		—
Japan	122.1	129.2		—
Residential Property	97.4	103.1		—
Other Funds				
Equity Units		76.51		—
Property Units		22.87		—
Equity Bond/Exec	47.47	50.23		—
Property Bond/Exec	30.90	32.70		—
Balanced Bond/Exec	36.39	38.5		—
L&E SIF 1	120.5	127.5		—
L&E SIF 2	78.5	83.0		—

City of Edinburgh Life Assurance
4e Charlotte Sq, Edinburgh EH2 4HQ — 031-225 1655

Ivory & Sime Bond	117.0	124.0		—
Risk & Reward Bond	140.0	148.0		—
Murray Johnstone Fd	135.0	143.0		—
Money Market Fd	110.0	116.0		—
Investment Strategy Fd	96.0	104.0		—
Predator Fd	95.0	100.0		—
Ivory & Sime Pens Fd	119.0	125.0		—
Risk & Reward Pens Fd	132.0	139.0		—
Murray J'stone Pens Fd	133.0	140.0		—
Money Market Pens Fd	110.0	116.0		—
Inv Strategy Pens Fnd	99.0	105.0		—
Predator Pen Fd	95.0	100.0		—

Devonshire Life—Contd.

Money	106.4	106.0	+0.1	—
Pen Managed	131.4	138.5	+0.6	—
Pen World Growth	101.8	107.3	+0.8	—
Pen UK Equity	143.2	150.8	+0.4	—
Pen UK Small Cos	134.5	141.6	+0.9	—
Pen European	102.6	108.1	−0.2	—
Pen Far Eastern	212.6	223.9	+2.3	—
Pen Nth American	94.4	99.5	+1.2	—
Pen Fixed Interest	109.7	115.6	+0.2	—
Pen Index Lnkd Stks	100.9	106.3	+0.1	—
Pen Money	105.4	111.0	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 221311

Secure Fund	104.4	109.9	+0.1	—
Blue Chip Fund	133.0	140.0	+1.2	—
Performance Fund	161.1	169.6	+1.7	—
Adventurous Fund	155.7	163.9	+0.8	—
Pensions Secure	95.7	100.8	+0.1	—
Pensions Blue Chip	102.0	107.4	+1.2	—
Pensions Performance	103.7	109.2	+1.4	—
Pensions Adventurous	103.9	109.4	+0.8	—
Pensions With Profits	99.9	105.2	+0.7	—

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Eagle/Mid. Units	177.0	193.5	+2.8	4.02

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP — 01-606 6611

Far Eastern	181.8	191.4	+1.1	—
Fd of Inv Tsts	149.9	157.8	+0.4	—
Gilt & Fixed Int	116.0	122.1	....	—
High Income	166.0	174.7	+1.4	—
Intnl Growth	113.5	119.5	+1.1	—
Managed	136.3	143.5	+0.6	—
Money	109.3	115.0	+0.1	—
North American	124.8	131.4	+0.4	—
Pelican	154.7	162.8	+1.4	—
Property	108.8	114.5	....	—
Special Sits	160.1	168.5	+0.9	—
School Fee Managed	149.8	157.7	+0.9	—
Pension Funds				
Far Eastern	209.0	220.0	+1.6	—
Fd. of Inv. Tsts	165.7	174.4	+0.6	—
Gilt & Fixed Int	120.4	126.7	−0.1	—
High Income	190.2	200.2	+2.1	—
International Growth	118.0	124.2	+1.4	—
Managed	149.8	157.7	+0.9	—
Money	119.0	125.3	+0.2	—
North American	130.8	137.7	+0.6	—
Pelican	172.8	181.9	+2.0	—

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Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 394000

Managed	418.2	442.3	+3.1	–
Property	263.7	277.1		–
Fixed Int	160.0	168.5	+0.3	–
UK Equity	509.9	540.5	+7.1	–
Int. Equity	341.9	359.9	+2.3	–
Deposit	158.0	166.4		–
Managed Property	232.9	245.2	+0.5	–
American Eagle	114.0	120.1	+0.6	–
Technology	101.6	107.0	+2.1	–
Worldwide Income	128.1	137.5	+0.9	–
Pacific	181.9	191.5	+1.9	–
Australian	90.7	95.7	+0.1	–
Japan	298.9	314.7	+3.9	–
Commodity	106.8	112.4		–
Gold	135.9	143.1	+3.1	–
Financial	202.3	213.0	+0.6	–
Income	243.0	255.9	+2.9	–
Special Situations	226.1	238.0	+2.3	–
Preference	137.6	144.9		–
Managed Currency	96.7	101.8	–0.3	–
European Spec. Sits.	203.7	214.5	+0.5	–
Sterling	10.3			–
Residential Property	98.8	104.0		–
Pension Funds				
Managed Pension	1250.1	1316.5	+8.6	–
Gilt Pens.	350.7	369.2		–
Property Pens.	664.6	699.6	+1.0	–
Equity Pens.	606.5	638.5	+5.8	–
Index-L Pen	124.5	131.1		–
Guar. Pen.	260.3	274.0	+0.3	–
Leicester Retirement	161.4	169.9	–0.2	–

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	180.5	190.0		–
Gilt & Fixed Int Fd	132.9	139.9		–
Cash Fund	123.9	130.4		–

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent Medway 812348

LACOP Units	£16.70	17.54		–

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

Managed	321.7	338.8	+1.0	–
Gtd Mgd	291.5	307.0		–
Property	325.9	343.1		–
American	261.3	275.1	–0.4	–
UK Equity Fund	352.2	370.9	+3.1	–
High Yield	424.3	446.8	+2.5	–
Gilt Edged	249.3	263.1	+0.3	–

The Porchester Group
91 Wimpole Street London W1M 7DA 01-493 9090

Porchester Managed Funds				
Albany (z)	118.5	124.7	–0.2	–
Cornhill (z)	106.0	112.0		–
Irish Life (z)	111.6	117.5	+1.5	–
Royal Heritage (z)	102.4	107.8		–
Schroder (z)	98.9	104.1	+0.3	–
Skandia (z)	120.1	126.4	–0.1	–
Target (z)	121.4	127.8	+1.2	–
Trident (z)	115.5	121.6		–
Porchester Managed Pension Funds				
Albany (z)	129.7	136.5	–0.3	–
Schroder (z)	99.2	104.4	+0.1	–
Skandia (z)	126.2	132.8		–
Target (z)	111.5	117.4	+1.0	–

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	116.3	122.5	+0.8	–
Pens. Man-Schroder	474.7	499.4		–

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	102.0	107.4	+0.4	–
Guardian Royal Exch	98.6	103.8	+0.3	–
M&G Ass (Life)	114.9	120.4		–
M & G Ass (Pens)	132.1	138.8		–
Norwich Union Assc Mgt	54.3	57.2	+0.5	–
Royal Life (UnitLinkAss)	103.5	108.9		–
Scot Equitable (Life)	190.2	198.1		–
Scott Equitable (Pens)	101.9	107.3		–
Scot Mutual (Life)	152.9	161.0	–0.1	–
Scot. Mutual (Pens)	139.2	146.6		–
Vanbrugh Life Ass	119.0	125.3		–

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	188.2	198.2		–
Target Mngd Pension	126.0	132.7		–
Albany Mngd Bond	165.3	173.9		–
Albany Mngd Pension	209.9	220.9		–

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (BH)	171.1	180.2		–
Euro Exmt (Roy.H)	140.6	148.1		–
Flexible Managed (Har)	140.5	147.9		–
Growth Managed (Schr.)	129.6	136.4		–
Pension Fund (Roy.H)	117.8	124.0		–

OFFSHORE AND OVERSEAS

[illegible]

World Fund SA
2 Boulevard Royal, Luxembourg

World Fund NAV	$20.78		–0.25	–

World Wide Growth Managementφ
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$18.08		–0.20	–

Inv. Adv. M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth	$10.96		–0.08	–

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$19.56		+0.02	–
Dynamic Gwth Fd.	$21.36		–0.17	–

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.46	13.16		–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

Charities Aid Fndtn Money Mngmt Co Ltd
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

	Gross	Net	Gr Equiv CAR	Int Cr
CAFCASH Call Fund	10.42	7.79	11.44	3-mth
CAFCASH 7-day Fund	10.52	7.86	11.54	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	10.70	11.14CAR		3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fund	10.59	7.92	11.41	6mth
7-day Fnd	10.56	7.89	11.37	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	10.62	7.94	11.41	6-Mth
7-day Fund	10.63	7.95	11.42	6-Mth
Dollar	5.00	3.74	5.34	6-Mth

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Cur Acc	10.25	7.50	10.86	Qtr

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	10.25	7.66	11.10	Qtr
MthlmChq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth

Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-626 2046.

	Gross	Net	Gr Equiv CAR	Int Cr
High Int. Cheque Acc	11.00	8.22	12.03	Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Cheque Acc	10.25	7.66	11.18	Mth

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	27
Amstrad	15
BAT	35
BOC Grp	28
BSR	11
BTR	26
Babcock	16
Barclays	42
Beecham	40
Blue Circle	55
Boots	22
Bowaters	32
Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	17
Charter Cons	24
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	15
Glaxo	85
Grand Met	48
GUS 'A'	85
Guardian	75
GKN	24
Hanson Tst.	18
Hawker Sldd.	42
ICI	75
Jaguar	42
Ladbroke	32
Legal & Gen	20
Lex Service	32
Lloyds Bank	38
Lucas Inds	46
Marks & Spencer	18
Midland Bk	48
Morgan Grenfell	26
NEI	8
Nat West Bk	48
P & O Dfd	45
Plessey	16
Polly Peck	16
Racal Elect	15
RHM	24
Rank Org Ord	45
Reed Intnl	25
STC	13
Sears	12
TI	40
TSB	8
Tesco	36
Thorn EMI	42
Trust Houses	15
Turner Newall	18
Unilever	140
Vickers	36
Wellcome	17
Property	
Brit Land	16
Land Securities	30
MEPC	32
Peachey	24
Oils	
BOM	$3\frac{1}{2}$
Brit Petroleum	50
Burmah Oil	32
Charterhall	4
Premier	$3\frac{1}{2}$
Shell	65
Tricentrol	8
Ultramar	17
Mines	
Cons Gold	62
Lonrho	22
Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

LME studies dollar settlement scheme

BY RICHARD MOONEY

THE LONDON Metal Exchange has launched a study into the possibility of quoting dollar settlement prices for its six traded metals alongside the existing sterling prices.

Having been advised that it would be impractical to trade sterling and dollar contracts in tandem for aluminium, the main dollar dominated metal, and being unwilling to abandon the sterling contract for that metal, hte exchange is now considering a plan for the introduction of trading in a dollar-sterling exchange rate quotation provided by an international group of banks, headed by Lloyds Bank.

The bank group would set a rate daily at 1.15 pm, which would be used to calculate official dollar settlement prices for all LME metals. *Negotiations between the* banks and a special LME sub-committee, headed by Mr Alan Booth of Billiton Enthoven Metals, are reported to be at an advanced stage.

For some time aluminium traders have felt the need of a dollar-denominated settlement, but over the past year or so this has been spreading to traders in the other metals, as wide fluctuations in the sterling-dollar rate have forced them increasingly to *talk and think in dollar terms.*

So far satisfying this need has been left to a number of brokers and banks which have offered tradable sterling-dollar rates. But even among *those brokers there is a* official rate endorsed by the LME itself would greatly improve the market's transparency for dollar trading purposes.

Although the sub-committee is confinding itself for the moment tothe possibility of a dollar quote Br Booth says settlements in other currencies could come in time.

Brussels seeks to curb oils imports

By Tim Dickson in Brussels

PLANS for an oils and fats tax could hold up formal adopiton *by the European Commission of* its 1987-88 farm price proposals, some observers suggested in Brussels yesterday. EEC officials, however, are still betting that the tough package of measures—designed to keep up the battle against Europe's food surpluses—will be agreed at the weekly meeting of the 17-man Commission tomorrow.

The idea of an oils and fats tax or "stabilisation mechanism"—which would effectively be a tax on the use of imported oilseeds—was not included in the original measures put forward inside the Commission *last weekend by* Mr Frans Andriessen, the EEC's Farm Commissioner.

Given that the tax would hit US producers directly, it was considered far too sensitive to table during the delicate negotiations with the US over lost EEC markets for maize and sorghum.

Now that this conflict has been successfully resolved, however, the Commission has, once again contemplated the merits of such a scheme which may consist of an overall tax on oilseeds production and a system of deficiency payments to EEC producers to ensure that there is no reduction in the ex-farm price. The net effect would be that the price paid by crushers *for* domestically produced seed will remain unchanged while the cost of imported soya and other oilseeds will rise by the amount of the tax.

This concept, while politically attractive in the EEC, seems likely further to exacerbate EEC/US relations just *when one agricultural dispute* has been settled.

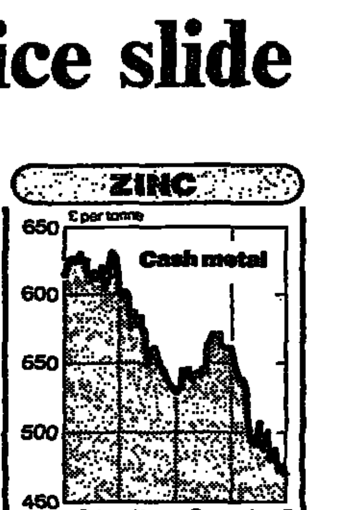
Besides uncertainy over oils and fats, the Commission over the last few days has also been attempting to make more coherent plans for abandoning the current system of monetary compensatory amounts, based on the *D-Mark biased* "agricultural Ecu," in favour of the old system based on a "central" Ecu.

The Commission ultimately wants to phase out MCAs but faces the challenge of how to do this without allowing ministers the opportunity to push through disguised *institutional* farm price increases in the form of green currency devaluations.

● The Commission has granted export subsidies *for* the sale of almost 1m tonnes of feed wheat to the Soviet Union.

Zinc producers try to resist price slide

BY RICHARD MOONEY



THE SEEMINGLY inexorable slide in London Metal Exchange zinc prices continued yesterday in spite of an apparent effort *by the majority of European* smelters to stop the rot.

Last Wednesday Metallgesellschaft of West Germany, a traditional market leader, lowered its European producer price (EPP) from $820 a tonne to $770, following a similar cut two weeks earlier. But although the price was still about $50 above the LME level (considered by most analysts to be the maximum reasonable premium) the move was not immediately followed by other smelters.

Instead they waited for a second lead from Billiton of the Netherlands, the other traditional price-setter, and when that came, on Friday, it was for a cut of only $30 to $790 a tonne. The pricing round was completed yesterday with the vast majority of producers following Billiton—only Penarrova of France followed Metallgesellschaft's example.

An executive for one leading smelter suggested yesterday that the market outlook might appear gloomier in West Germany, where customers' stocks are believed to be high and buyers are few and far between *at the moment.* "Elsewhere in Europe the supply/demand balance is still relatively tight," he said.

Some analysts are more inclined to believe, however, that Metallgesellschaft got it right and that the others are simply trying to resist the *inevitable.*

Mr Stephen Briggs of Shearson Lehman Brothers, the London broker, believes the smelters are trying to "hold the line" on the EEP because they are not yet ready to attempt again the "tried and failed method" of market intervention, which left a number of *them with badly burnt fingers* before Christmas.

He thinks further falls are coming and does not rule out a slide below the $650 level, although he does not think that is justified by market fundamentals.

"The charts are appalling," he says, "and sentiment is still poor, even among producers." Against that background consumers appear to be holding off in the *hope of prices going lower still.* 'Hhad all the smelters followed Metallgesellschaft's lead the LME price would have collapsed even more quickly," Mr Briggs says. As it is the three months quotation has fallen another £16.75 since last Wednesday's announcement, with yesterday's £6.75 decline taking the price to a fresh nine-month low.

Mr Briggs thinks the market *could be nearing the* "danger level," however. 'Any further substantial price fall could prompt smelters to look seriously at further capacity cuts," he warns.

Rice sale may cost Thailand £1m

BY PETER UNGPHAKORN IN BANGKOK

THE THAI Government is to sell 250,000 tonnes of rice to Iran through a mystery European broker for $42.8m *(£28m), one of the largest* single Thai rice deals ever.

The move is likely to give a further boost to domestic rice *prices, which are already* rising, unusually for the present peak harvest period. But it is controversial because in the process the Commerce Ministry appears to be prepared to lose an estimated Baht 40-70m ($1.6-2.7m) in order to assist two of Thailand's largest exporters.

The Commerce Minister, Mr Montree Pongpanit, declined yesterday to give any more than the broadest outlines of the deal, leaving out even the destination of the rice. But traders said that the Ministry was *actually taking over orders* obtained by Capital Rice Company and Hong Yiah Seng Company in December when prices were low. Capital Rice has since confirmed the report.

The combined deal for high grade, 100 per cent B white rice is priced at around $171 fob per tonne for delivery *between February* and May. But since the end of December the Ministry has bought 170,000 tonnes of this grade from exporters at prices estimated to be equivalent to $177-$192 fob.

Exporters say it is often more profitable to sell to the Ministry than to export. But Government purchases lifted domestic prices in January enough to have threatened Capital Rice and Hong Yiah Seng with losses from the Iranian deal—although not to the extent of needing to be baled out—if they were to buy up the rice for the deal now.

Mr Montree did take the opportunity to make political capital out of his Ministry's increasing role in exporting rice, *announcing another 60,000* tonnes to be sold to the Malaysian Government and a possible further international deal of 150,000 tonnes next week. Being seen to promote rice, Thailand's largest crop, is always politically popular.

Last year Thailand exported 4.3m tonnes of rice, its second largest volume ever. But the Baht 19.4bn earned was down 13 per cent on the earnings from 40m tonnes exported in 1985, because of competition from lower and subsidised US prices and the lower quality of the Thai harvest.

Exports this year have *started off well with 300,000* tonnes sold in January. But this year's harvest is smaller because of the irregular rainfall and farmers cutting back on expensive fertiliser and pesticides. The main dry season harvest is estimated down 5 per cent at 17.06m tonnes of rough (unmilled) rice. Although prices have recovered slightly they are still low.

The Commerce Ministry *expects exports to reach 4.3m* tonnes again this year but Thai exporters and the US Department of Agriculture believe 3.7m to 3.9m tonnes is more realistic.

Israeli cotton losses continue

BY JUDITH MALTZ

ISRAELI cotton farmers found themselves deeply in the red last year for the second season running. Although the total acreage under cotton was reduced by a third last year, losses added up to $35m (£23m), compared with $42m in 1985.

According to the Cotton Production and Marketing Board total sales reached $130m out of which $100m went for export, chiefly to western Europe.

Mr Josef Dloomy, managing director of the Cotton Board said his organisation had requested $17m from the Government to help finance last season's losses, a similar sum to that in the previous year.

He said last season's losses resulted mainly from the slump in world cotton prices and the Government policy of maintaining a fixed exchange rate, in spite of rising domestic costs.

Senior cotton board executives were optimistic, however, that the industry would see a turn around in *1987*, and might even show modest profits. Mr Dloomy said that, thanks to increased rainfall this winter, the country's cotton farmers planned to expand their acreage by up to 10 per cent.

Rising world cotton prices coupled with the effects of the Government's recent 10 per cent devaluation of the Shekel, should also boost export earnings, he said.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−3,175 to 112,075
Copper	+1,125 to 175,475
Lead	−1,750 to 40,400
Nickel	+30 to 6,576
Tin	−450 to 35,775
Zinc	+3,650 to 28,625
	(ounces)
Silver	−506,000 to 22,776,000

Surviving on the auction 'battlefield'

FARMER'S VIEWPOINT

By John Cherrington

MORE than 50 years ago, once I had established by dairy farm so that it would run itself, I looked around for something else to occupy my mind which would earn me more than the meagre labourer's wage of these pre-war days. I had some spare land and could easily find more, and one could buy a lot of cattle for, quite literally, a few pounds. So I began buying a few young cattle, keeping them a while and then selling them on.

This meant spending a fair time attending markets, gossiping with dealers and farmers, and learning what really made the world of livestock trading go round. It was an excellent training and taught me that the *livestock auctions were far* from being straightforward arenas where the market forces held sway. They were, and still are, battlefields where buyers and sellers each used allies and all sorts of tricks to gain advantages over each other.

For instance, if you have a good cow and her calf for sale it is essential to show her as well as you can, with her udder nicely distended so that she *looks like* a good milker *to* the prospective buyer. There might be only one buyer for that animal on the market that day so you *must* put a *reserve* on her and hope the auctioneer can run the price up. Buyers can often spot an auctitoneer bidding and refuse to play, however, so it is much better to find a friend or two who will put in "spontaneous" bids with apparent conviction. But you must not be too greedy or you may fail to sell.

If you have no trustworthy friends it is well worth while offering a dealer some "luck money" should he buy your *stock. For some reason this is* much more common in the North of England than in the South, probably reflecting the greater stock pride in those parts. It is good advertising to sell a bunch of animals at a record price, even if you have to hand back a proportion to the buyer. One hears rumours of vast sums being discounted on particular animals by those who subscribe to this theory—but *few are really taken in.*

Another scheme is called "standing in." If you have a nice bunch of animals but you *fear a poor* trade there could well be a dealer available who would agree to buy the lot before the aucton at an agreed price. They would then go under the hammer and if they fetched more you would *split* the extra with the dealer. Auctioneers do not like this as they can miss out on commission.

Farmers justify these activities by claiming that they are vulnerable to auction rings—buyers banding together and leaving one man to do the bidding.

Over the last 50 years there has been a marked concentration of markets and it is now very difficult to get a ring going among a sufficient number of buyers to control the big markets of today. There are also representatives of the major chain stores buying and they tend to remain independent of each other.

Since the war there has been *further development of direct* selling, without using the market at all, and this brings a very welcome element of competition into the whole chain —from the farm to the butcher's shop. Farmers like going to market however. Most think that liveweight grading is in some respects less strict than that on the book and that they are getting a better deal. It is possible, moreover, to withdraw an animal which has failed the live grading—once on the hook it is too late.

I never became what would be called a star turn in the livestock markets, I was more interested in building up my farm. But the few years I spent in the markets were absolutely invaluable for teaching me the basics of my business. In farming these consist not only of practical husbandry and animal production but the *whole* operation from the channels of supply to satisfying demand.

When I go to a sale these days it does not take me long to establish who is going to be the weak seller, who might just possibly do a "stand in," who is setting up a ring during a poor trade, and so on. I can then decide whether it is worth my while remaining to try for bargains, or to leave them to it.

All the practices I have mentioned are, I believe, to some extent condemned under the *auction system, and some might* even be illegal. But I believe that they are an essential part of any marketing system. Like most farmers, I regard anyone with whom I am trading with a good degree of suspicion. And one has to do what one can to survive doesn't one!

LONDON MARKETS

ALUMINIUM prices yesterday continued to defy the general gloom on the London Metal Exchange. With chart patterns still looking bullish following last week's strong performance, further fresh buying appearing, and the US physical *market reported tighter,* the cash LME position moved up another £23.50 to £815 a tonne—the highest level since *late* October. Dealers said the upward pressure was augmented by short-covering purchases, nervousness about possible tightness being caused by April options declarations, and a sharpish fall in LME warehouse stocks last week. The nickel market was also firm, building on Friday's rally. The cash position rose £23.50 to close at £2,386 a tonne while the three months *quotation closed £26 up at* £2,433.50 a tonne. Earlier it had reached a peak of £2,448 a tonne, helped by what traders assumed to be producer-linked buying.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	814.5-5.5	+23.5	817/806
3 months	815-5.5	+14.25	816/804

Official closing (am): Cash 807-7.5 *(781-2);* three months 813-3.5 (791-1.5); settlement 807.5 (782). Final Kerb Close: 813-4. *Turnover:* 25,000 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	878.5-80.5	−3.5	881/880.5
3 months	902.5-5	−2.75	904.5/904

Official closing (am): Cash 880.5-1 (876.5-7): three months 902.5-3.5 (897-8); settlement 881 (877). Final Kerb Close: 900.5-1.5.

Standard			
Cash	859-60	−4	860
3 months	883-5	−0.5	—

Official closing (am): Cash 860-1 (854-6): three months 883-5 (877-8): settlement 861 (856). US Producer prices 63.25-67.50 cents per pound. Total turnover: 21,875 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	292-3	−0.75	293.5/293
3 months	296-6.5	—	296.5/295

Official closing (am): Cash 293.25-3.5 (290-1): three months 296.5-6 (293.5-4.5); settlement 293.5 (291). Final Kerb Close: 295-6. Turnover: 10,625 tonnes. US Spot: 24-27 cents *per pound.*

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2382-90	+23.5	2386/2385
3 months	2432-5	+26	2440/2429

Official closing (am): Cash 2370-1 (2350-5): three months 2420-1 (2391-2); settlement 2371 (2355). Final Kerb Close: 2425-30. Turnover: 936 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	470-1	−6	471.5/471
3 months	467.5-8	−6.75	474/466

Official closing (am): Cash 471-1.5 *(472-2.5);* three months 467.75-8.25 (469-70); settlement 471-5 (472.5). Final Kerb Close: 465-7. Turnover: 15,125 tonnes. US Prime Western: 41-44.75 cents per pound.

GOLD

Gold rose $2¾ to $406¾-407¼ on the London bullion market yesterday. It *opened at $405-405½ and touched a low* of $404¾-405. The metal was fixed at $406.45 in the morning and $406.75 in the afternoon. Gold rose to a peak of *$407-407½*, and appeared to have a reasonably firm base of $400, after *recovering from a low of $397 in New* York on Friday. Dealers commented that investors and producers do not seem prepared to sell at less than $400 at present, which represents a psychological barrier to the market.

GOLD BULLION (fine ounce) Feb. 2		
Close	$406¾-407¼	(£267¾-268¼)
Opening	$405-405½	(£266½-267)
M'n'g fix	$406.45	(£267.930)
Aft'n'n *fix*	$406.75	(£269.987)

GOLD AND PLATINUM COINS		
Am Eagle	$420-425	(£275½-278¾)
Mapleleaf	$418-422¼	(£274¼-277)
Kr'g'r'nd.	*$407-410*	*(£267-269)*
½ Krug	$206½-207½	(£135½-136)
¼ Krug	$104-106	(£68¼-68¾)
Angel	$413-416	(£270¾-272¾)
1/10 Angel	$41-46	(£26¾-30¼)
New Sov.	$97-100	(£63¾-65½)
Old Sov.	*$97½-99*	*(£64-65)*
$ 20 Eagle	$480-530	(£314¾-347¾)
Noble Plat	$542-550	(£355½-360¾)

SILVER

Silver was fixed 1.6p an ounce higher for spot delivery in the London bullion market yesterday at 364.35p. US cent equivalents of the fixing levels were: spot 552.9c, down 2.1c; three-month 561.05c, down 2.1c; six-month 569.3c, down 12.9c; and 12-month 585.95c, down 1.7c. The metal opened at 362-363½p (550-552c) and closed at 364-365½p (553-555c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	364.35p	+1.60	364.25p	−0.25
3 months	374.05p	+1.60	374p	—
6 months	383.90p	+1.75	—	—
12 months	409.50p	+2.05	—	—

LME—Turnover: 0 (5) lots of 10,000 oz.

Three months final kerb 373-5p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Feb	131.0-136.0	+2.85	—
April	127.5-128.5	+0.50	—
June	118.0-118.5	−0.95	—
August	115.5-116.0	−0.50	116.0
October	117.5-118.0	−0.50	118.0
Dec	119.8-120.5	−0.50	120.0
Feb	122.0-124.0	—	—

Sales: 80 (128) lots of 20 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 66.00p (same). March 64.25p (64.00p). April 64.25p (64.00p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 — (229) and SMR — (208).

INDICES

REUTERS

Jan.30	Jan.29	M'th ago	Year ago
1603.7	1607.7	—	1848.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 30	Jan. 29	M'th ago	Year ago
Spot	115.01	115.31	—	130.35
Fut	116.22	116.17	—	128.93

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Feb. 2 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1305/325	+15	$1205/225
Copper			
Cash Grade A	£880	−3.5	£916.25
3 mths	£902.75	−2.75	£939.75
Gold Troy oz	$407	+2.625	$399.25
Lead Cash	£292.5	−0.75	£356
3 mths	£296.25	......	£306.15
Nickel			
Free Mkt	183/185c	......	160/180c
Palladium oz	$124.00	+1.00	$118.25
Platinum oz	$530.00	+12.50	$476.75
Quicksilver†	$155/165	......	$158/160
Silver troy oz	364.35p	+1.80	363.55p
3 mths	374.05p	+1.60	373.10p
Tin			
free Mkt	£4500/540	−10	£4608/630
Tungsten	$43.18	......	$42.10
Wolfram 22.0lb	$37/45	......	$32/42
Zinc	£470.5	−6	£553.5
3 mths	£467.75	−6.75	£535.5
producers	$770/790	......	$870
OILS			
Coconut (Phil)	$440x	−10	$410
Palm Malayan	$390v	......	$307.5
Copra (Phil)	*$290*	......	*$260*
Soyabean (U.S.)	$144	......	$142
GRAINS			
Barley Fut. May	£114.90	+0.10	£113.55
Maize	*£143.50*	......	*£142.00*
Wheat Fut. May	£118.05	−0.25	£113.55
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. May	*£1340.5*	−11	*£1439.5*
Coffee Ft. Mar.	£1631	−6.5	£1645.5
Cotton A Ind.*	55.15c	+0.15	54.95c
Gas Oil Mar.	$156	−4.5	$153.75
Rubber (kilo)	65p	......	64.25p
Sugar (raw)	$185y	+1.5	$145
Wooltops 64s	*418p kilo*	+2	*428p kilo*

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. y Feb-March. v April.

COFFEE

During a mostly quiet session early commission house selling was responsible for the day's lows, reports Drexel Burnham Lambert. Activity fared little better during a dull afternoon with steady short-covering providing enough support to enable prices to close little changed.

COFFEE	Yesterday close	+ or −	Business Done
Mar	1615-1620	+5.0	1620-1595
May	1630-1632	−6.5	1635-1606
July	1645-1650	−5.0	1655-1625
Sept	1665-1705	−2.5	1695-1655
Nov	1690-1800	—	1695-1685
Jan	1700-1730	—	—
Mar	1700-1750	—	—

Sales: 1,756 (4,695) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 30: Comp. daily *1979 117.88 (118.47); 15-day average* 117.55 (117.78).

COCOA

A quiet opening call saw futures unchanged but during the morning values eased £10 and these levels were held through to the close. Although some light consumer interest was seen, *physicals were generally* subdued with producers apparently still reluctant to re-enter the market, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
March	1311-1312	−8.5	1325-1308
May	1340-1341	−11.0	1355-1338
July	1370-1372	−11.5	1380-1367
Sept	1401-1402	−10.0	1408-1397
Dec	1427-1428	−12.0	1440-1425
March	1455-1456	−10.0	1465-1454
May	1474-1476	−11.5	1484-1475

Sales: 2,994 (2,490) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for February 2: 1524.32 (1519.89): five-day average for *February 3: 1549.09* (1558.29).

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing January 26 amounted to 393 tonnes against 1,674 tonnes in the previous week. Trading was slow with dealings in Turkish, Egyptian, Israeli. American, Chinese, Peruvian. Russian, Indian and East African growths.

GRAINS

Old crop wheat again attracted profit-takers, with a late buying rally steadying values on the close. Barley firmed on a poor trade. New crops eased fractionally on speculative selling with good consumer demand greeting the *arrival* of the distant March position, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or −	Yest'rdy's close	+ or −
Mar	115.70	−0.25	113.40	+0.15
May	118.05	−0.25	114.90	+0.10
July	120.60	—	—	—
Sep	100.65	−0.05	100.25	+0.15
Nov	102.85	−0.05	103.00	+0.15
Jan	105.60	−0.10	105.75	+0.15
Mar	108.35	—	108.00	—

Business done—Wheat: *Mar* 115.85-5.70, May 118.10-8.00. July 120.60-20.50, Sept 100.65, *Nov 102.80, Jan 105.55-*5.35, *Mar* 108.30-8.20. Sales: 161 lots of 100 tonnes. Barley: Mar 113.40-3.25, May and Sept untraded, Nov 103.00, Jan and Mar untraded. Sales: 20 lots of 100 tonnes.

HGCA—Locational ex-farm spot *prices. Feed barley: E Mids 114.50,* Scotland 114.60. The UK monetary coefficient for the week beginning Monday February 9 (based on HGCA calculations using four days' exchange rates). is expected to change to 1.327.

LONDON GRAINS—Wheat: *US dark* northern spring no 1 15 per cent Mar 104.75. April/May 101.75. US no 2 soft red winter Feb 106.00. French 11½-12 per cent Jan 141.75. English feed fob Feb 121.00 seller, Mar 121.50/122.00, April/June 123.00/124.00 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast first-half Feb 143.50. Barley: English feed fob Feb 118.00, Mar 119.00 seller.

POTATOES

Futures opened £1.90 down following a weaker Dutch fix and an easier trend in the UK physical market (bag trade was generally described as unchanged to £5.00 down during the morning) but support at £154.00, evident all last week on the April position, again turned the market round to recover nearly all the losses by mid-morning in thin volume. The afternoon saw a drift in values. The market is awaiting PMB information on mid-January stocks, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	110.50	112.50	107.00
Apr	155.50	156.90	156.20-154.20
May	180.50	181.90	181.10-160.00
Nov	89.00	88.50	89.00
Feb	97.50	98.00	—

Sales: 649 (656) lots of 40 tonnes.

SUGAR

No. 6 Contract	Y'sterdy's close	Previous close	Business done
	$ per tonne		
Mar	168.8-168.8	171.8-171.8	174.6-168.2
May	172.8-172.8	174.2-174.8	177.8-172.2
Aug	174.8-176.0	178.0-177.6	180.0-179.4
Oct	178.2-177.0	178.8-178.4	181.4-178.0
Dec	179.0-183.0	180.8-182.8	—
Mar	184.8-185.0	186.0-187.8	—
May	187.0-191.0	188.0-181.8	—

Sales: 3,110 (3,588) lots of 50 tonnes.

LONDON DAILY PRICE—*Raw sugar* $185.00 (£122.00), up $1.50 (up £2.00) a tonne for February-March delivery. White sugar $206.50, up $2.00.

Tate & Lyle delivery price for granulated basis sugar was £226.00 *(£225.00) a tonne for export.*

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for January 30: Daily price 7.27 (7.53); 15-day average 6.81 (6.73).

PARIS—(FFr per tonne): Mar 1235/1245, May 1262/1265, Aug 1290/1294, Oct 1310/1325, Dec 1345/1365, Mar 1390/1400.

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
April	762/763	767/760	864.5
July	647/650	650/648	770/775
Oct.	751/755	758/753	770/775
Jan.	770/775	770	764
Apr.	795/805	—	776/780
July	680/695	—	800/810
Oct.	730	—	665/690
Jan.	800/820	820/810	—
BFI.	861.5	—	866.5

Turnover: 147 (242).

MEAT

MEAT COMMISSION—Average fatstock prices at representative *markets.* GB—Cattle 93.56p per kg lw (−0.63). GB—Sheap 169.91p per kg est dcw (−9.28). GB—Pigs 74.36p per kg lw (+1.08).

TEA

There were 39,870 packages on offer at the London tea auction, including 7,800 packages in the offshore section, reports the Tea Brokers' *Association.* The market remained weak. A few colour Assams, together with selected medium PDs, held values but others were 4-8p easier and there were some withdrawals. Bangladesh teas *were again neglected and lost* 5-8p where sold. Brighter African CTCs met improved competition and ruled firm to occasionally dearer, while mediums received fair support, though prices were 3-5p easier. Central Africans shared 4-8p with the plainest difficult *of sale. Ceylons came in for more* enquiry than of late but although selective brokens and brighter lines were steady, plainer sorts again lost ground. Offshore teas met better demand but at lower rates. Quotations: *quality* 170p a kg (170p); medium 13?p a kg (138p): low medium 92p a kg (98p).

US MARKETS

INITIAL MIXED buying in gold *futures* saw the market penetrate overhead *resistance* commencing at $411, basis April, writes Drexel Burnham Lambert. However, failure to *follow through prompted* commission house and trade selling, which, combined with general long liquidation, took values *through* the support at $407-406, basis April. The other metals followed the gold, but volumes were *lighter* than *of* late. Good trade selling in crude oil futures in the face of scale-down commission house and local buying pushed prices back to the support commencing $18.35, basis April. A report that ICO consumers were unwilling to abide by proposed coffee quotas, but *will* attend the forthcoming meeting of producers and consumers, prompted an *initial sell-off in coffee futures* but short-covering reversed the decline. Initial weakness in cocoa futures reflected European-based hedging but industry buying prompted short-covering as the market steadied back to the highs. In the face of trade scale-up selling *cotton futures rallied* with good commission house buying as a technical reaction to last week's weakness developed. The absence of new export business led to easier wheat futures and firm premiums steadied maize. Commercial buying in soyabean *meal futures.* Reflecting firmer premiums, steadied values, while continued large inventories eased soyabean oil futures

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
Feb	*54.40*	53.55	—	—
March	54.40	53.55	54.50	53.85
May	54.15	53.55	54.00	53.75
July	53.90	53.55	53.90	53.90
Sept	53.90	53.55	—	—
Dec	50.65	50.05	—	—
Jan	*53.70*	*53.35*	—	—
March	54.50	54.15	—	—
May	54.60	54.25	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	1822	1820	1825	1800
May	1867	1862	1870	1844
July	1896	1891	1898	1872
Sept	1924	1917	1910	1904
Dec	1950	1952	1950	1933
March	1960	1983	1980	1976
May	1998	2001	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	125.21	123.88	126.40	122.75
May	*127.59*	*126.99*	*128.75*	*125.25*
July	129.73	129.73	131.00	128.00
Sept	131.53	131.80	133.00	130.75
Dec	134.55	134.00	134.50	134.50
March	136.00	134.88	135.00	135.00
May	135.88	135.38	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
Feb	60.30	60.10	—	—
March	60.60	60.40	60.80	60.30
May	61.15	60.95	61.30	60.85
July	61.65	61.45	61.60	61.35
Sept	62.10	61.90	62.00	62.00
Dec	60.45	60.15	60.45	60.30
Jan	60.40	61.10	61.35	61.35
March	63.45	63.30	63.30	63.30
May	63.75	63.60	—	—
July	64.05	63.90	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
March	56.88	55.16	56.90	55.50
May	56.25	54.30	56.25	56.20
July	56.82	53.87	55.85	54.85
Oct	55.40	53.40	55.40	54.70
Dec	55.10	53.10	55.10	54.00
March	56.00	54.00	56.00	54.80
May	55.80	54.35	55.80	55.80

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Close	Prev	High	Low
March	18.50	18.75	18.71	18.46
April	18.40	18.58	18.55	18.38
May	18.27	18.40	18.38	18.22
June	18.07	18.19	18.20	18.05
July	17.99	18.05	18.05	18.00
Aug	17.85	17.98	17.95	17.89
Sept	17.88	17.93	17.96	17.85
Oct	17.90	17.93	17.90	17.90
Dec	17.95	18.03	17.95	17.95

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Feb	401.1	405.1	408.0	401.0
March	402.6	408.7	409.2	407.0
April	404.8	408.9	412.0	404.5
June	408.6	412.7	415.7	408.3
Aug	412.4	416.5	419.6	412.0
Oct	416.0	420.1	—	—
Dec	419.7	423.8	426.8	420.0
Feb	423.6	427.7	429.5	425.5
June	431.4	435.5	—	—
Dec	444.5	448.6	—	—

HEATING OIL 42,000 US gallons,

	Close	Prev	High	Low
March	51.10	52.35	52.10	50.95
April	50.10	51.04	50.96	49.85
May	49.10	49.80	49.50	48.85
June	48.20	48.75	48.40	48.20
July	48.10	48.70	48.35	48.10
Aug	48.50	49.00	48.50	48.50

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
March	121.30	120.20	121.35	119.75
May	122.00	121.20	122.00	120.85
July	122.45	121.85	122.40	121.75
Sept	122.90	122.25	123.00	122.40

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
Feb	519.5	525.2	—	—
April	*522.0*	*527.7*	533.0	521.5
July	525.7	531.4	536.5	524.5
Jan	536.5	530.9	536.0	534.0
April	538.7	544.4	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
Feb	548.7	549.7	—	—
March	551.5	552.5	559.5	550.5
May	557.4	558.3	565.5	556.5
July	563.2	564.1	571.0	563.0
Sept	569.3	570.2	576.0	569.5
Dec	529.0	530.0	—	528.0
Jan	560.4	568.2	—	570.0
March	587.0	587.9	593.0	589.0
May	593.3	594.2	—	590.0
July	598.9	600.8	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
March	7.59	7.74	7.80	7.58
May	7.77	7.83	7.95	7.76
July	7.83	7.90	8.02	7.83
Sept	7.83	7.98	8.10	7.83
Oct	7.93	8.02	8.12	7.82
Jan	5.41	5.36	5.30	5.30

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
Feb	63.27	63.57	63.67	63.00
April	62.95	62.87	63.25	62.45
June	61.15	61.02	61.52	60.85
Aug	59.05	58.80	59.35	58.70
Oct	57.77	57.37	58.00	57.30
Feb	57.80	57.50	58.00	57.60

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
Feb	50.82	50.56	50.97	50.30
April	*46.15*	*45.97*	*46.50*	*46.02*
June	*48.05*	*47.82*	*48.25*	*47.67*
July	48.10	47.70	48.40	47.50
Aug	45.07	44.67	45.35	44.80
Oct	40.80	40.70	41.20	40.65
April	38.57	38.80	38.57	38.57

MAIZE
5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
March	158.6	157.0	159.0	157.2
May	164.4	163.0	165.2	163.2
July	*168.6*	*168.0*	*169.6*	*167.6*
Sept	172.4	171.4	172.6	171.4
Dec	177.4	176.4	177.4	176.2
March	185.0	184.0	185.0	183.6
May	188.0	186.4	188.0	186.4

From today the order of quotation of prices for the US markets has been changed to close, previous, high, low.

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
Feb	67.10	65.10	67.10	65.55
March	66.40	64.40	66.40	64.55
May	66.32	64.46	66.40	64.55
July	64.87	63.17	65.00	63.45
Aug	62.92	61.70	63.10	61.70

SOYABEANS
5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
March	498.6	500.2	499.6	497.2
May	497.4	498.6	498.6	496.4
July	497.2	498.7	497.4	496.0
Aug	*495.2*	*496.4*	*495.6*	*494.4*
Sept	486.4	486.0	488.6	484.4
Nov	483.0	483.0	483.4	481.4
Jan	489.2	489.4	—	—
March	496.0	496.0	*496.0*	494.2
May	499.0	499.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
March	146.9	144.2	147.2	144.5
May	142.1	140.0	142.2	140.4
July	140.3	138.7	140.4	139.0
Aug	140.0	138.3	140.0	138.8
Sept	139.5	138.0	139.5	138.8
Oct	139.0	138.0	139.0	138.3
Dec	140.0	139.0	140.0	139.5
Jan	140.3	139.5	140.2	140.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
March	16.37	16.71	16.55	16.36
May	16.71	17.00	16.89	16.70
July	17.01	17.28	17.20	17.01
Aug	*17.09*	*17.32*	*17.18*	*17.08*
Sept	17.17	17.35	17.20	17.10
Oct	17.04	17.10	17.10	16.97
Dec	17.08	17.20	17.10	17.01
Jan	17.01	17.20	17.20	17.00

WHEAT
5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
March	287.6	288.2	288.4	286.2
May	271.0	271.2	271.4	270.6
July	253.4	253.0	254.0	252.4
Sept	253.0	251.6	253.0	252.0
Dec	259.0	258.0	259.2	258.4
March	287.6	288.2	288.4	286.2

SPOT PRICES—Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 556.5 (551.5) cents per troy ounce.

OIL

Turnover: 49 (23) lots of 100 tonnes.

In very thin trade March Brent sold at $18.25 in the early afternoon but edged lower thereafter. Nymex WTI opened 7c down and traded 17c down at 1.30 pm EST. In the petroleum products market gasoline firmed on continued UK buying interest. Other products were weak, particularly naphtha which dropped along with US futures and the *appearance of improved prompt availability—Petroleum Argus, London.*

	Latest	Change + or −
CRUDE OIL—FOB ($per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.95-17.00*	−0.1
Brent Blend	18.15-18.25	−0.15
W.T.I. (1pm est)	18.55-18.65*	−0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	178-182	+4.5
Gas Oil	*155-156*	−5
Heavy fuel oil	96-98	−3
Naphtha	158-160	−6

* March Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close	+ or −	Business Done
	US $ per tonne		
Feb	156.25	+5.50	165.00-56.00
Mar	156.00	+4.50	162.00-58.00
Apr	153.50	+3.00	158.25-55.00
May	149.00	+3.75	154.50-48.50
June	149.50	+3.50	—

Turnover: 2,423 (3,412) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close	+ or −	Business Done
	US $ per tonne		
Feb	95.00	−5.00	95.00
Mar	94.50	−5.50	95.50-94.50
Apr	93.00	−2.50	95.00-93.00

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound disappoint

THE DOLLAR retreated in nervous trading on the foreign exchanges. There was evidence that dealers were happy to take quick profits after Friday's sharp rise on better than expected US trade figures. The warning by Mr James Baker, US Treasury Secretary, *not to place too* much faith on month-to-month figures weighed on the dollar, and dealers also noted that Mr Paul Volcker, chairman of the US Federal Reserve Board, failed to state explicitly that the dollar has fallen far enough in his testimony before Congress yesterday.

The dollar fell to DM 1.8075 from DM 1.8320; to FFr 6.0275 from FFr 6.1075; to SFr 1.5250 from SFr 1.5440; and to Y152.55 from Y153.55.

On Bank of England figures the dollar's index fell to 103.8 from 104.3.

STERLING—Trading range against the dollar in 1986-87 is 1.5585 to 1.3700. January average 1.5071. Exchange rate index fell 0.1 to 68.4, ***compared with 71.7 six months ago.***

Sterling improved against the dollar, but weakened against Continental currencies, as dealers expressed some disappointment at the pound's failure to benefit more from the rise in oil prices in recent months, and reasonably encouraging economic news. Sterling rose 1.05 cents to $1.5235-1.5245, while declining to DM 2.7550 from *DM 2.7725; to FFr 9.1850* from FFr 9.2450; and to SFr 2.3250 from SFr 2.3375. The pound was unchanged at Y232.50.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.8568. Exchange rate index 148.8 against 138.3 six months ago.

The D-Mark weakened against the dollar as traders took profits following the sharp rise in the value of the currency on Friday after the US trade figures. Trading was quiet, with dealers waiting for further guidance on the US economy from today's figures on leading indicators. It was suggested in Frankfurt that the rise in December leading indicators would be little changed from November's 1.2 per cent. There was some nervousness ahead of this week's US Treasury auctions, on fear that Japan might withhold demand for US Government paper, in an attempt to make the Federal Reserve support the dollar. Mr Volcker's comment about the inflationary problem caused by the weaker dollar had less impact than Mr Baker's remark that one month's improvement in the trade deficit did not necessarily mean a downtrend. The Bundesbank did not intervene when the dollar was fixed at DM *1.8182*, compared with *DM 1.8085*.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. January average 154.62. Exchange rate index 208.8, compared with 219.1 six months ago.

The yen rose from Friday's New York close in Tokyo yesterday, as the dollar failed to consolidate on the gains made after publication of the US trade figures. The US currency fell to Y153.15 from the New York finish of Y153.75, but *closed above Friday's Tokyo finish* of Y152.30. Dealers were reluctant to take out positions ahead of the US Treasury auctions, waiting to see how Japanese investors react following the rise of the dollar, and last week's warning by Mr Satoshi Sumita, Bank of Japan Governor, about the flow of capital to the US if the dollar continued to weaken.

ZAMBIA KWACHA—The kwacha has been revalued against the dollar, following the announcement that the auction system would no longer be used to determine the official parity. According to a report from Lusaka, the Bank of Zambia was quoting the kwacha at *8.9550-9.1350* per dollar with commercial banks, compared with 14.92 kwacha at the last foreign exchange auction on January 24. Commercial banks are allowed a *margin of up to 1 per cent of the* official rate in dealings with the public.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.6420	+0.43	+0.43	±1.5344
Danish Krone	7.85212	7.80335	−0.62	−0.62	±1.6404
German D-Mark	2.05853	2.06016	+0.08	+0.08	±1.0981
French Franc	6.90403	6.86985	−0.50	−0.50	±1.3674
Dutch Guilder	2.31943	2.32503	+0.24	+0.24	±1.5012
Irish Punt	0.768411	0.774096	+0.74	+0.74	±1.6684
Italian Lira	1483.58	1466.81	−1.13	−1.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb 2	Latest	Previous Close
£ Spot	1.5230-1.5240	1.5135-1.5145
1 month	0.60-0.57 pm	0.58-0.56 pm
3 months	1.78-1.74 pm	1.83-1.80 pm
12 months	6.20-6.10 pm	6.27-6.17 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Feb. 2	Previous
8.30 am	68.4	68.6
9.00 am	68.5	68.6
10.00 am	68.4	68.8
11.00 am	68.4	68.5
Noon	68.5	68.8
1.00 pm	68.5	68.8
2.00 pm	68.4	68.7
3.00 pm	68.4	68.4
4.00 pm	68.4	68.5

POUND SPOT—FORWARD AGAINST THE POUND

Feb. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5120-1.5245	1.5235-1.5245	0.57-0.54c pm	4.37	1.77-1.72 pm	4.58
Canada	2.0203-2.00	2.0320-2.0330	0.57-0.47 c pm	3.07	1.76-1.61 pm	3.32
*Neth'lands	3.10¾-3.11¾	3.10¾-3.11¾	1⅛-1⅛ c pm	4.83	4⅜-4 pm	5.39
Belgium	56.96-57.23	57.00-57.10	15-10 c pm	2.63	45-36 pm	2.84
Denmark	10.42¾-10.47¾	10.46-10.47	1⅞pm-¼ ore dis	0.72	3-1⅛ pm	0.79
Ireland	1.0325-1.0425	1.0360-1.0370	0.20-0.35 p dis	−3.18	0.65-0.95 dis	−3.09
W. Germany	2.75-2.76½	2.75-2.76	1⅝-1⅛ pf pm	6.53	4¾-4½ pm	6.72
Portugal	213.29-216.84	213.85-214.75	107-263c dis	−10.36	276-511 dis	−7.34
Spain	195.19-196.34	195.80-196.10	21-51 c dis	−2.20	64-104 dis	−1.71
Italy	1959½-1969½	1961-1962	2pm-1 lire dis	−0.30	4⅜-1¼ pm	0.57
Norway	10.61-10.68¾	10.67¾-10.68¾	⅛-½ ore dis	−3.35	⅞-1⅛dis	−0.37
France	9.18-9.21¾	9.18-9.19	2-1¼ c pm	2.12	5¼-4 pm	2.01
Sweden	9.85½-9.90¾	9.89¾-9.90¾	½ pm-½ ore dis	—	2⅛-⅜ pm	0.58
Japan	231¾-233	232-233	1⅜-1 y pm	6.13	4⅛-3⅜ pm	6.77
Austria	19.39-19.59	19.45-19.48	9¾-8⅝ gro pm	5.66	28⅜-26⅛	5.60
Switzerland	2.31¾-2.33	2.32-2.33	1½-1⅛ c pm	6.77	4¾-4 pm	7.53

Belgian rate is for convertible francs. Financial franc 58.10-58.20. Six-month forward dollar 3.33-3.28 c pm. 12-month 6.21-6.11c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Feb. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5120-1.5245	1.5235-1.5245	0.57-0.54c pm	4.37	1.77-1.72c pm	4.58
Ireland†	1.4580-1.4745	1.4710-1.4720	1.05-0.95c pm	8.20	3.10-2.75 pm	8.00
Canada	1.3520-1.3360	1.3325-1.3335	0.13-0.16c dis	−1.30	0.40-0.45 dis	−1.27
Netherlands	2.0350-2.0600	2.0390-2.0400	0.12-0.07c pm	0.56	0.44-0.37 pm	0.79

CURRENCY RATES

Feb. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.832811	0.747043

CURRENCY MOVEMENTS

February 2	Bank of England Index	Morgan Guaranty Changes %
Danish Krone	94.0	+4.8
Deutsche Mark	148.8	+23.0
Swiss Franc	171.7	+21.8
Guilder	136.0	+15.4
French Franc	72.4	−12.0
Lira	48.6	−15.0
Yen	209.8	+57.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Feb. 2	£	$
Argentina	2.0145-2.0220	1.3280-1.3320
Australia	2.2910-2.2940	1.5110-1.5120
Brazil	24.96-25.10	16.45-16.54
Finland	6.9110-6.9220	4.5560-4.5580
Greece	200.45-204.00	132.05-134.30
Hong Kong	11.7815-11.7965	7.7725-7.7745
Iran	111.45*	72.35*
Korea (Sth)	1291.95-1305.65	853.70-860.70
Kuwait	0.42000-0.42080	0.27700-0.27730
Luxembourg	57.00-57.10	37.40-37.50
Malaysia	3.8405-3.8510	2.5350-2.5400
N. Zealand	2.7940-2.8015	1.8325-1.8460
Saudi Ar.	5.6860-5.6915	3.7495-3.7505
Singapore	3.2390-3.2445	2.1355-2.1375
S. Af. (Cm)	3.1230-3.1300	2.0595-2.0640
S. Af. (Fn)	6.6660-6.9720	4.3955-4.5975
Taiwan	54.00-54.25	35.00-35.10
U.A.E.	5.5695-5.5745	3.6725-3.6735

* Selling rate.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: Two years 6 7/16-6 9/16 per cent; three years ... 7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term ... Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb. 2	£	$	DM	YEN	F Fr.
£	1.	1.524	2.755	232.5	9.185
$	0.656	1.	1.808	152.6	6.028
DM	0.363	0.553	1.	84.39	3.334
YEN	4.301	6.555	11.85	1000.	39.51
F Fr.	1.089	1.659	2.999	253.1	10.
S Fr.	0.430	0.655	1.185	100.0	3.951
H Fl.	0.322	0.490	0.887	74.82	2.956
Lira	0.510	0.777	1.405	118.5	4.683
C $	0.492	0.750	1.355	114.4	4.519
B Fr.	1.753	2.671	4.829	407.5	16.10

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds nervous

SENTIMENT WAS influenced by dollar uncertainty in the London International Financial Futures Exchange yesterday. The US unit failed to capitalise on Friday's sharp rise, following better than expected trade figures and three-month Eurodollar and US Treasury bond prices reflected market disappointment. Some dealers had expected a sharp contraction in the figure and this also tended to leave the market lacking direction. With the prospects of an early meeting of the G5 finance ministers slowly receding and continued evidence of the lack of common ground between the US and its major trading partners, prices opened in London on a weaker note.

March Euro-dollars opened at 93.72 for March delivery and touched a high of 93.75. However, the dollar's nervous tone and a lack of any reaction to comments made by Mr James Baker, US Treasury Secretary, enabled sellers to gain the upper hand and the price touched a low of 93.68 before closing at 93.70 down from 93.79 on Friday.

US Treasury bonds opened for March delivery at 99-10 and very quickly touched a high of 99-13 before dollar fears once again undermined confidence. There was also uncertainty ahead of this week's Treasury refunding programme and the attitude of Japanese investors. The March price reached a low of 98-24 after the start of trading in Chicago and after an erratic few hours closed at 98-31 down from 99-24 on Friday.

Long gilts traded very quietly in comparison to the record volume seen over the past two weeks. There was little news to give the market any encouragement. Sterling remained on the sidelines, showing a small decline over the weekend. The March gilt price opened at 114-22 and traded in a 114-21-27 range for much of the morning. With sentiment failing to improve during the afternoon, values were marked down, so that a low of 114-19 was touched before the contract closed at 114-26, little from Friday's close of 114-25.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	8.52	9.06	0.00	0.12
108	6.52	7.18	0.00	0.24

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	8.62	8.25	0.00	0.15
92	6.62	6.41	0.00	0.31

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
17250	12.82	13.17	0.07	0.42
17500	10.44	10.98	0.19	0.73

LONDON

CHICAGO

Japanese yen (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar.	0.6559	0.6567	0.6542	0.6494
June	0.6600	0.6604	0.6581	0.6523
Sept.	0.6640	0.6640	0.6640	0.6565

Standard & Poors 500 Index

	Latest	High	Low	Prev.
Mar.	275.30	275.70	273.00	274.00
June	276.65	276.90	274.30	275.30
Sept.	277.65	277.65	275.70	276.60
Dec.	278.80	278.80	276.80	277.70

BASE LENDING RATES

CL Bank Nederland 12
Canada Permanent 11
Cayzer Ltd 11
Cedar Holdings 12
Lloyds Bank 11
Mase Westpac Ltd. 11
Meghraj & Sons Ltd. 11
Midland Bank 11

£10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 2, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	9.91
Algeria	Dinar	7.02
Andorra	French Franc	9.1850
	Spanish Peseta	195.95
Angola	Kwanza	46.387
Ghana	Cedi	233.85
Gibraltar	Gibraltar £	1.0
Greece	Drachma	202.225
Greenland	Danish Krone	10.4650
Grenada	E. Caribbean $	4.09
Guadaloupe	Local Franc	9.1850
Guam	U.S. $	1.5240
Panama	Balbao	1.5240
Papua New Guinea	Kina	1.4365
Paraguay	Guarani	364.17 / 1020.45
Peru	Inti	exc(o)21.63 / (F) 30.37 / (Fn) 27.04

MONEY MARKETS

London rates ease

INTEREST RATES were slightly easier in the London money market yesterday. Trading was fairly relaxed with sterling showing a steady tendency and the market facing only a modest shortage. Three-month interbank money was quoted at 11 1/16-10 15/16 per cent compared with 11⅛-11 per cent on Friday. Overnight money traded between a high of 11 per cent and a low of 9½ per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £584m and the unwinding of previous sales and repurchase agreements a further £272m. In addition banks brought forward balances £80m below target. These were partly offset by Exchequer transactions which added £340m.

The forecast was revised to a shortage of around £300m and the Bank gave assistance in the morning of £14m through outright *purchases of £2 of eligible bank* bills in band 2 at 10 13/16 per cent and £12m in band 4 at 10 11/16 per cent.

Another revision took the forecast to a shortage of around £150m before taking into account the earlier help and the bank gave further assistance in the afternoon of £135m through outright purchases of £102m of eligible bank bills in band 2 at 10 13/16 per cent, £2m in band 3 at 10¾ per cent, and £31m in band 4 at 10 11/16 per cent. Total help came to £149m.

In Frankfurt the Bundesbank announced its intention to offer funds to the money market through a 28-day sale and repurchase agreement. This will carry a fixed rate of 3.8 per cent. Results of the tender will be known today and successful applicants will be credited tomorrow, the same day as a previous facility of DM 10.5bn expires. At the same time it re-introduced the facility whereby commercial banks buy three-day Treasury bills at 3.5 per cent should call money fall to this level. The facility was withdrawn on Friday and call money fell as low as 3 per cent as a result. Call money yesterday was quoted at 4 per cent on the first trading day of the new month. Dealers suggested that this might be nearer the sort of level the Bundesbank would want. Rates may be under some upward pressure later this month as commercial banks have to meet end of month minimum reserve requirements some DM 5bn higher than in January following last month's measures by the Bundesbank.

FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Feb. 2	Overnight	One Month	Two Months
Frankfurt	3.90-4.05	3.70-3.85	3.85-4.00
Paris	8¼-8⅜	8 5/16-8 11/16	8 5/16-8 11/16
Zurich	⅞-1⅛	3¼-3⅜	—
Amsterdam	5 7/16-5 9/16	5 7/16-5 9/16	—
Tokyo	4.28125	4.28125	—
Milan	11¾-12¼	11⅝-12⅛	—
Brussels	7.00	7 13/16-8 1/16	—
Dublin	13¾-14	14⅛-14⅜	14-14¼

LONDON MONEY RATES

Feb. 2	Over-night	7 days notice
Interbank	11-9½	11⅛-10¾
Sterling CDs	—	—
Local Authority Deposits	10⅞-10¾	11-10⅞
Local Authority Bonds	—	—
Discount Market Deposits	10¾-9	10¾
Company Deposits	11	11 1/16
Finance House Deposits	—	—
Treasury Bills (Buy)	—	—
Bank Bills (Buy)	—	—
Fine Trade Bills (Buy)	—	—
Dollar CDs	—	—
SDR Linked Deposits	—	—
ECU Linked Deposits	—	—

Treasury Bills (sell); one-month 10¾ per cent; three-months ... one-month 10 13/16 per cent; three months 10⅝ per cent; ... discount 10.5618 p.c. ECGD Fixed Finance Scheme IV reference ... 11.098 per cent. Local Authority and Finance Houses seven days' notice ... Finance Houses Base Rate 11½ per cent from February 1, ... seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit ... and over held under one month 10½ per cent; one-three months ... per cent; six-nine months 10⅝ per cent; nine-12 months 10⅝ ... from January 23. Deposits held under Series 5 10¼ per cent ... cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅞	97	Treas 10¼pcCv '87	100	+	—	—
99⅞	92	Exch 2½pc 1987	99⅞	+	—	—
101⅛	97⅞	Exch. 10½pc 1987	99	–	10.52	10.96
100	93⅞	Funding 6½pc 85-87	99¼	+	6.55	9.80
101¼	96	Treas. 10pc 1987	99	–	10.03	10.71
97	90⅞	Treas 3pc 1987	97		3.07	8.23
104½	99⅞	Treas 12pc 1987	101		11.87	10.43
99¼	92	Treas 7¾pc 1985-88‡‡	98		7.90	9.87
104	96¼	Exch 10½pc '88	100		10.49	10.38
102⅞	95¼	Treas 9½pc Cv '88	99	–	9.82	10.30
94¼	86⅞	Transport 3pc '78-88	93	+	3.20	7.87
102½	93	Treas 9½pc '88	98		9.63	10.35
107	98	Treas 11½pc 1989	102	–	11.26	10.32
103½	93¼	Treas 9½pc Cnv 1989	98¼		9.67	10.37
92½	82	Treas 3pc 1989	89	–	3.34	7.91
105	95	Treas 10½pc 1989	100	–	10.47	10.33
104	94¼	Exch 10pc 1989	99	–	10.08	10.35
107	97	Exch 11pc 1989	101		10.85	10.31
93	84½	Treas 5pc 1986-89	90⅞	–	5.52	8.97
110	94¼	Exch 10¼pcCv '89	101	–	10.15	9.80
114	103	Treas 13pc 1990‡‡	106	–	12.18	10.29
108¼	97¼	Exch 11pc 1990‡‡	101¼	–	10.81	10.29
113¼	101	Exch. 12½pc 1990	105	–	11.89	10.34
89¼	79⅞	Treas. 3pc 1990	85	–	3.52	8.21
100	89¼	Treas 8¼pc 1987-90‡‡	95	+	8.63	9.82
106	93	Treas. 10pcCv 1990	98⅞	–	10.11	10.35
86	76½	Exch 2½pc 1990	82	–	3.05	8.09
112	99	Treas 11¾pc 1991	104	–	11.25	10.33
94¼	83	Funding 5¾pc '87-91‡‡	88⅞	–	6.51	9.16
86¼	79	Treas. 3pc 1991●	81	–	3.69	8.28
101	95	Treas 10pc Cv '91	100	+	9.95	9.87

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986/87 High	Low	Stock
37⅛	28⅛	Chemical New York
50⅞	26⅜	Chesebrough-Pond's $1
31⅛	19⅞	Chrysler $6¼
42⅛	33⅛	Citicorp $4
12⅛	704p	CityFed Fin. Corp.
31	21½	Colgate-Palmolive $1
900p	625p	Colt Inds. $1
25½	16⅜	Cons Freightways $0.625
819p	348p	Cont Illinois Corp $1
89⅞	11½	Cont Illinois Hldgs $1
179p	39p	¶Corporate Data Scnce.
13⅛	435p	Cullinet Sftwr $0.1
287p	18p	Damson Oil 40c
25⅛	17⅜	Data Corp. $1
33⅜	18⅜	Data General
24½	8½	¶Derma-Lock Medical
79	55⅛	Dun & Bradstreet $1
55⅝	42⅛	Eaton Corpn. 50c
25½	18⅜	FPL Group $0.01
13⅛	625p	Fairmont Financial
24	16⅞	First Chicago $5
50	25⅛	Ford Motor $2
28⅜	20	GATX 62½c
67	47⅞	Gen. Elect. $1¼
16⅝	612p	¶General Host Corp $1
42	24	Gillette $1
15⅛	10	Gt Am First Svgs Bk $1
32⅞	23⅛	Gt. Western Fin. $1
25⅛	18½	Greyhound $1.50
20⅛	11½	Hasbro Inc $0.50
57⅛	39⅜	Honeywell $1.50
28	20⅞	Hospital Corp Am $1
25⅛	19⅛	Houston Inds Inc$

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♦Metsec 10p	78	.....	L2.46	2.6	4.4	12.0
78½	45	Mitchell Cotts	59	–1½	1.5	2.1	3.6	15.2
128	81	♦Monks & Crane 10p	122	.....	L2.7	2.9	3.1	14.9
323	210	Morgan Crucible	320	–1	18.5	1.5	3.7	21.3
23½	15½	♦Morris (W) F.A. 20p	20	.....	—	—	—	—
169	65	Myson Grp 10p	168	.....	†2.63	2.6	2.2	21.7
365	213	♦NMW Computers	265	+17	†6.0	3.0	3.2	15.2
158	27	Nash Inds	153xc	–5	1.5	♦	1.4	♦
27½	12½	Neill & Spencer 10p	15	.....	—	—	—	—
39	28	Newman Inds 10p	37	.....	†0.8	1.5	3.0	(28.3)
134	65	Noble & Lund 10p	90	.....	0.7	4.3	1.1	29.6
158	152	Nobo Group 10p	153	.....	84.75	2.8	4.4	11.6
65	39	Norton	53	+1	1.2	2.9	3.2	15.2
157	96	♦Norank Systems 5p	144	+2	m1.5	—	1.5	18.5
286	187	Norcros	262	–4	†9.3	2.3	5.0	12.0
254	49	Nu-Swift 5p	253	+4	†3.5	2.1	1.9	34.0
£356½	£229	OCE 9pc Cnv 1987-92	£282½	.....	Q9%	—	†3.2	—
125	80	Oakwood Grp	118xd	–7	4.0	♦	4.8	♦
230	173	Office & Elect	189	.....	8.5	2.9	6.3	7.7
34	26	♦Omnitech 1p	31	.....	—	—	—	—
36	18	♦Optometrics $0.01	20	–1	—	—	—	—
890	500	Oriflame £1	886	.....	†28.5	2.1	5.0	15.7
10	5	Overstone 12½c	5½	.....	Q0.23c	1.9	17.4	3.0
142	85	♦PCT Grp 10p	135	.....	d3.2	—	4.9	—
£20½	£13¼	PLM 'B' Sk 25	£16½	.....	Q23.2%	0.3	3.7	—

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

PROPERTY

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2

* New time dealings may take place from 9.00 am two business days earlier.

New peaks in the equity market but Government bonds neglected in nervous session

Determined, but selective, buying of the equity blue chips by UK institutions sent the London stock market soaring to new peaks yesterday. Pharmaceutical issues again dominated the scene, with Glaxo gaining nearly £1 at best as investors pre-empted the group's presentation to New York analysts later this month. But the Government bond sector, discouraged by sluggishness in the pound and in the US bond markets, hardly stirred from Friday's closing levels.

The stock market advanced strongly from the opening, and major market indices quickly broke through to new peaks. A firm start on Wall Street kept London on the boil, and prices closed virtually at their best levels.

The FT-SE 100 index closed a net 24.5 higher at a new all-time peak of 1832.80. A gain of 22.9 took the FT ordinary index to 1463.9, also a new high.

Optimism for the outlook for UK exports brought buyers in for engineering and electrical issues. Stock price gains were also fuelled by a shortage of stock, which in turn reflected unwillingness of institutions to sell while Wall Street and Tokyo markets are still strong.

However, there were signs yesterday that the surge in the *market had begun to tempt some* institutional sellers. Hill Samuel opened its morning market review, "As equities test new highs, do not be tempted into the market." Mr N. Knight, equity strategist at James Capel commented on the danger of a "sharp turn in the market" should external factors act as a trigger.

However, the star turn was Glaxo, as buyers found it almost impossible to tempt sellers of the stock, despite the powerful gain since early September. On February 24, the group makes an important presentation to US investors, when the market hopes that new drug projects will be unveiled.

Bullishness towards pharmaceuticals spilled over to Beecham and Imperial Chemical Industries (ICI). Favourable press review in the US at the weekend brought a further surge in ICI, and Beecham also advanced in heavy turnover.

Early firmness on Wall Street brought US buyers for such transatlantic favourites as Saatchi & Saatchi, BAT Industries and Unilever.

But also strong were UK exporting stocks, like GEC and GKN, both with heavy turnover recorded. And among the speculative issues, Grand Metropolitan stood out.

With equities now increasingly attractive on a yield basis, Gilts had a disappointing session. Turnover was extremely thin, and prices did no more than steady from a soft start.

Traders commented that "there was no reason to be brave" in a gilt-edged market vulnerable to election poll predictions. While *optimistic for tax cuts in the UK* Budget, Gilt traders are also cautious over the outlook for the sterling exchange rate index, a shade easier again yesterday.

Benchmark active

Benchmark, formerly Manson Finance Trust, were outstanding in the bank sector, closing an active session 11 higher at 82p on further consideration of the merger with Charlton Seal Dimmock, the Manchester and London-based firm of stockbrokers; shares in the financial services concern have now risen 43 since the deal was first announced in early December. Elsewhere, Morgan Grenfell, which had gained 6 last Friday on vague rumours that Lloyds Bank had acquired a 5 per cent stake, reacted 4 to 417p following adverse comment suggesting that the Sultan of Brunei is contemplating moving all or part of his £2.6bn portfolio from Morgans to Midland Bank.

Wood Mackenzies' bullish comments on the sector induced renewed support for Composite Insurances. Around 6½m Commercial Union shares changed hands and the close was 15 better at 314p; the preliminary results are scheduled for March 4. Elsewhere, publicity given to a Barclays de Zoete Wedd recommendeation left *Abbey Life 7 dearer at 243p.*

Takeover hopes continued to flourish in the Brewery sector. Vaux were the focal point following Friday's disclosure that rival concern Wolverhampton and Dudley had built up a 5 per cent shareholding. Renewed buying pushed Vaux higher to 582p bid before the price settled a net 11 higher for a two-day gain of nearly 80 to 578p. Wolverhampton eased to 289p, but other stocks enjoyed a firm session. Bass moved up 18 to 813p and Allied-Lyons advanced 4 to 337p while J. A. Devenish attracted speculative interest and improved 7 to 219p. Greene King were also in demand at 315p, up 4, but after good two-way activity Guinness were slightly lower at 292p; US interest in the latter was countered by domestic selling, part of which represented profit-taking from Account operators.

Reports of increased activity in the Construction sector encouraged fresh support for selected. Building issues. Tarmac, additionally boosted by a broker's "buy" recommendation, touched 492p prior to closing a net 20 up at 490p. Stake-building rumours lifteddGeorge Wimpey 7 to 226p, while persistent bid speculation left Barratt Developments 6 dearer at 182p. BPB Industries gained 13 more to 596p and Redland advanced 7 to 465p. A combination of *bid rumours and a broker's* recommendation stimulated timber group Meyer International which touched 330p before closing 6 higher at 326p. Henderson Group gained 12 to 213p on rerating suggestions and Hewden-Stuart firmed 3 to 78p following press comment. Elsewhere, Thomson T-Line Caravans shed 14 to 454p following details of the agreed *share-exchange offer for Taddale.*

ICI featured prominently among international stocks and gained ½ to £13 1/16; the annual results are due on February 26.

Hopes of tax cuts in next month's Budget and lower interest rates revived yesterday to bolster leading Stores. A press suggestion that the sector was overdue for a rerating also induced good support. Dixons added 6 at 313p and Storehouse gained 4 at 286p, while Gussies "A" firmed ⅛ to £11 1/16 and Woolworth moved up 15 at 735p. Elsewhere, Body Shop jumped 63 more for a two-day rise of 123 at 958p after renewed buying in a restricted market on expansion hopes.

Molynx soar

Suspended only last Friday at 93p at the company's request pending an announcement, dealings were resumed yesterday in Molynx, which closed 47 up at 140p, following news that the old board had sold 39 per cent of the company's shares to new managing director, Mr Nick Mavrikakis and friends at around 126p per share. Elsewhere in Electricals, Amstrad continued to attract good support—well over 8m shares changed hands—ahead of the forthcoming interim figures and closed a further 6 dearer at 162p. Micro Business Systems rose *7 to 105p in response to Press comment* and speculative gains of 7 and 8 respectively were seen in Zygal Dynamics, 70p, and Crystalate, 269p. Wholesale Fittings advanced 10 to 350p on further consideration of the half-year results, but Unitech relinquished 5 to 243p in front of today's first-half results. Among the leaders, Racal, which revealed better-than-expected *interim profits last week, closed 7* to the good at 217p, while a good business in Plessey (10m) left the shares 5 up at 214p. *STC firmed 5 to* 201p and Ferranti improved the same amount to 119p.

Selective support was forthcoming for Engineering shares. GKN, *still benefiting from a broker's* upgraded profits forecast, were again briskly traded and put on 9 further to 324p. Vickers firmed 10 to 451p and Hawker edged a little higher to close at 531p. Outside of the leaders, Baker Perkins, the subject of an agreed merger with APV, advanced 13 to 406p following a weekend Press article suggesting that Robert Maxwell had built up a near 5 per cent stake in Baker. APV *improved 7 to 660p.* Newspaper mention also directed buying attention to RHP,5 better at 192½p, and Linread which featured a gain of 18 to 120p in a limited market. Davy Corporation attracted support at 170p, up 12, along with Babcock, which improved 5 to 204p. Hallite, in contrast, dipped 30 to 200p, still unsettled by the profits warning which accompanied the interim figures.

Tate and Lyle provided the outstanding movement in the Food sector, rising 21 to 658p, mainly reflecting agressive demand from brokers James Capel. Northern Foods attracted good support on rumours of a broker's tip and *closed 10 higher at 281p, while* Hillsdown Holdings firmed 6 to 229p on speculation that the company may soon announce a major acquisition. Press comment stimulated takeover favourite Rank Hovis McDougall which gained 10½ to 318½p, while United Biscuits put on 5½ to 261½p. Booker firmed 4 to 385p on news that the company had arranged an ADR *facility.*

Renewed speculative buying amid vague takeover suggestions boosted Grand Metropolitan 19 to 494p, a rise of 33 over the last two trading sessions. Trusthouse Forte hardened 2 more to 209p and Ladbroke firmed 4 to 404p.

Glaxo feature

A good turnover developed inGlaxo, particularly at the higher levels, and the shares eventually settled with a fresh rise of ⅞ at £13¾. Among the other international stocks, BOC, scheduled to reveal first quarter figures next Tuesday, advanced 17 to 435p. Beecham pushed ahead to close 13 *higher at 499p, while active trading* in Boots left the shares 3 better at 70p. Pilkington continued their recent improvement with a further gain of 6 at 691p. A reasonable turnover occurred in Reed International which posted a gain of 16 at 387p. Elsewhere, weekend press mention prompted further demand for Avon Rubber, up 13 more at 448p. Demand persisted for London International which gained 11 more to 296p. Redfearn Glass, a rising market following recent news of the GM Firth stake, put on 13 more to 451p, but Cowan de Groot, reflecting disappointment with the interim statement, gave up 5 to 65p. Forthergill and Harvey gained 16 to 318p on the announcement of the possibility of an alternative offer for the company. Demand in a limited market left Radiant Metal 20 higher at 205p and NMW Computers 17 dearer at 265p. News that Hapag-Lloyd Flug of West Germany has signed a contract with Airbus Industrie for three A310-220s aircraft enlivened interest in British Aerospace which rose 13 to 588p. Fisons edged up 6 to 607p, while Wellcome staged a useful revival and closed higher at 280p.

Dowty rallied strongly as buying from a securities House caught other marketmakers running short book positions and the shares jumped 11 to 250p. Dowty have been out of favour since revealing uninspiring first-half results last month which have prompted some analysts to advise caution over the stock. Lucas Industries also recovered to end 11 higher at 541p while Jaguar improved 5 to 601p.

Paper/Printings showed indecision after the recent spell of prolonged firmness. BPCC managed to rise 5 to 278p and Jefferson Smurfit gained 10 to 438p following news that the group had exercised its European option with Container Corp. of America. Advertising Agencies also turned irregular but Crown TV Products rebounded 6 to 85p and Octopus Publishing spurted 30 to 630p.

Institutional support prompted higher levels among the Property leaders. Land Securities firmed 6 to 347p and MEPC rose 5 to 348p. British Land, underpinned by a recent broker's recommendation, added a penny more to 190p, while Hammerson A hardened 5 to 450p. Elsewhere, London and Edinburgh Trust attracted further buying interest at 610p, up 10, while a resurgence of bid rumours lifted Marler Estates 55 to 690p. Press comment stimulated Asda Property, finally 5 higher at 345p and Connells, 4 better at 350p. Other bright spots included Mountleigh, 15 higher at 231p and Merievale Moore, 10 to the good at 255p. Warner Estate firmed 45 to 935p following the annual results.

Courtaulds' impressive run continued when revived institutional purchasing found stock in short supply. Marketmakers' book positions soon came under pressure and the haste to rectify these commitments forced the price up 17 to a record 397p. The possbility of a rival bid emerging for Fothergill and Harvey, currently in receipt of an offer from Courtaulds, was not a trading influence. The Textile sector was also notable for fresh activity in Tootals, 5 higher at 123p, and for renewed strength in Tomkinsons, 10 dearer at a peak 320p. Dura Mill, 930p, and Leeds, 261p, posted gains of 15 and 9, while Hugh Mackay moved up 5 to 133p.

A much brighter trading performance left BAT Industries showing a gain of 10 at 510p and Rothmans International a rise of 10 at 197p.

Light demand in a limited market raised United Trust and Credit 33 to 510p, while Amalgamated Financial Investments put on 4 to 39p. Investment Trusts were often higher on the day.

Oils below best

Early interest in the Oil majors petered out and both British Petroleum and Shell closed little changed on balance. LASMO, however, were persistently supported on the RTZ stake and closed 3 higher at 188p, while Enterprise were a fraction dearer at 191½p Burmah revived with a gain of 7 at 411p, while IC Gas put on 5 to 593p. Sovereign added 2 to 65p but Ireland's Conroy dipped a further 6 to 85p as rumours about drilling difficulties in County Kilkenny persisted.

Lonrho retreated further in the absence of worthwhile support and closed 4 down at 247p, but Far Eastern influences boosted Sime Darby 6 to 80p. For identical reasons, Bertam gained 7 to 94p, Consolidated Plantations a like amount to 94p and Harrisons Malaysian 4 to 120p.

The strength of the UK equity market overflowed into gold shares yesterday, bringing increased support from the UK institutions. Helped along also by support from the Continent, gold shares staged a rally from the weakness of Friday's session. However, currency factors kept Cape investors out of the market, and the closing picture was ragged.

The improvement chiefly reflected a pick-up in the bullion price, which touched $407 at best in London. Buying was partly technical and uncertainties over the next trend in the US dollar continued to restrain the market.

Gains ranged to 20p or so in Blyvoors, St Helena and Driefontein. But some of the major names failed to attract the buyers and Vaal Reefs closed with another sharp loss.

Diamond stocks closed a shade firmer on the session but were mostly on the sidelines.

Traded Options

Demand for Traded Options remained at a relatively high level with Hanson Trust the feature of yesterday's business, recording 5,175 calls and 1,040 puts. Hopes of an end to the engineers' strike helped British Telecom record 4,182 calls, while 2,344 were done in Grand Met. Total contracts completed amounted to 43,953, comprising 34,774 calls and 9,179 puts.

Traditional Options

- First dealings
  Jan 19 Feb 2 Feb 16
- Last dealings
  Jan 30 Feb 13 Feb 27
- Last declaration
  Apr 23 May 7 May 28
- For Settlement
  May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Call options were taken out in London Securities, Rotaprint, Amstrad, Marley, Southend Stadium, Boustead, Atlantic Resources, J. Israel, Boddingtons Breweries, Godfrey Davis, Vaal Reefs, Times Veneer, Ultramar, Burndene, Redfearn Glass, BBA Group, Eglinton, Blacks Leisure, Micro Business Systems, Benchmark, Radiant Metal, Cooper Industries, S. C. Banks, Western Motor A, Apricot, C. H. Bailey, Greene King, Hestair, RHM, Lonrho, Hanson Trust, CH Industrials, Amber Day, Ward Holdings, Dominion International, Squirrel Horn, Armour Trust, BSR, GRA, Habit Precision, Powerline and Pentos. Puts were arranged in Ladbroke, Unilock and Amstrad, while double options were transacted in Marley, Eglington, Dominion International and Metal Closures.

FINANCIAL TIMES STOCK INDICES

	Feb. 2	Jan. 30	Jan. 29	Jan. 28	Jan. 27	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	83.35	85.31	85.35	85.31	85.37	80.89	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.93	91.90	91.43	91.47	91.35	87.17	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,463.9	1,441.0	1,427.0	1,440.4	1,441.6	1,155.3	1,463.9 (2/2/87)	1,094.3 (14/1/86)	1,441.6 (27/1/87)	49.4 (26/6/40)
Gold Mines	313.5	321.8	322.6	331.1	322.9	344.9	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.87	3.95	3.99	3.96	3.96	4.46				
Earnings Yld.%(full)	9.04	9.25	9.36	9.29	9.30	10.86				
P/E Ratio (net) (*)	13.55	13.26	13.10	13.20	13.18	11.46				
SEAQ Bargains (5 pm)	40,150	34,168	37,029	39,468	35,800	—				
Equity Turnover (£m)	—	1,344.33	1,585.94	1,483.77	1,254.59	439.76				
Equity Bargains	—	43,671	46,864	48,859	47,014	25,182				
Shares Traded (ml)	—	546.3	580.3	575.1	525.7	222.8				

S.E. ACTIVITY

Indices	Jan. 30	Jan. 29
Gilt Edged Bargains	123.0	113.7
Equity Bargains	283.0	3.3.7
Equity Value	2717.2	3205.6
5-Day Average		
Gilt Edged Bargains	128.7	132.6
Equity Bargains	302.4	315.2
Equity Value	2771.9	2788.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1451.7	1456.0	1456.0	1463.8	1463.4	1466.1	1460.6	1462.7

Day's High 1466.4. Day's Low 1451.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.06.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (302)

BRITISH FUNDS (1). AMERICANS (5). CANADIANS (8). BANKS (5). BREWERS (3). BUILDINGS (21). CHEMICALS (9). STORES (15). ELECTRICALS (14). ENGINEERING (12). FOODS (16). HOTELS (5). INDUSTRIALS (60). INSURANCE (2). LEISURE (12). MOTORS (5). NEWSPAPERS (2). PAPER (6). PROPERTY (11). SHIPPING (2). TEXTILES (12). TRUSTS (62). OILS (3). OVERSEAS TRADERS (3). PLANTATIONS (4). MINES (3). THIRD MARKET (1).

NEW LOWS (7)

STORES (2) Blk Bok Gruppen, Elec Spec Prod. ELECTRICALS (3) Densitron Int, Ericsson (L. M.), F & H Group. INDUSTRIALS (2) CCA Galleries, Sidlaw.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	10,000	150	+3	Ladbroke	778	404	+4
Allied Lyons	5,800	337	+4	Land Securities	1,800	347	+6
Amstrad	9,500	162	+6	Legal & Gen.	1,200	275	—
Assoc. Brit. Foods	1,900	331	+4	Lloyds Bank	1,300	474	+2
BAT	3,100	510	+10	Lonrho	1,150	247	−4
BET	830	493	+6	Marks & Spncr	4,600	189	—
BOC	2,700	435	+17	Midland Bank	1,100	599	+2
BPB Inds	1,000	596	+13	NatWest Bank	854	574	+2
BTR	1,300	284	+3	Pearson	274	571	−6
Barclays	*1,000*	537	—	*P & O*	*1,200*	570	+5
Bass	603	813	+18	Pilkington Bros	1,300	691	+6
Beecham	3,900	499	+13	Plessey	9,750	214	+5
Blue Circle	77	693	+7	Prudential	754	858	+3
Boots	7,600	270	+3	Racal	8,900	217	+7
Brit. Aero	1,700	588	+13	Rank Org.	479	610	+3
Brit. Gas	27,000	68½	—	RHM	2,200	319	+11
Britoil	3,100	189	—	Reckitt & Col	356	944	+4
BP	3,400	768	−5	Redland	349	465	+7
Brit. Telecom	6,100	226	+1	Reed Intl	2,600	387	+16
Burton	3,800	268	+1	Reuters	412	593	—
Cable & Wire	6,700	369	+10	RTZ	2,000	758	+7
Cadbury Schwps	2,000	228	+3	Rowntree Mac	1,700	463	+4
Coats Viyella	338	554	+6	Royal Insurance	1,000	902	+4
Comm. Union	6,500	314	+15	STC	3,700	201	+5
Cons. Gold	526	734	−6	Saatchi & Saatchi	770	840	+38
Cookson	596	541	+2	Sainsbury	178	440	+1
Courtaulds	2,650	397	+17	Scott & Newcastle	661	211	+2
Dee Corp	2,600	228	+2	Sears	4,500	124½	+1½
Dixons Grp	4,950	313	+6	Sedgwick	955	315	—
Fisons	1,100	607	+6	Shell Trans	1,100	£10⅞	—
Gen. Accident	696	884	+6	Smith & Nephew	1,900	139½	+2½
Gen. Elect	7,900	201	−2	Standard Chart	164	772	−6
Glaxo	7,200	£13¾	+⅞	Storehouse	1,900	286	+4
Granada	1,800	330	−5	Sun Alliance	208	709	−1
Grand Met	9,100	494	+19	TSB	3,900	77½	−1
Gus "A"	453	£11 1/16	+⅛	Tarmac	2,000	490	+20
Guardian R.E.	319	833	−4	Tesco	458	425	+1
GKN	4,600	324	+9	Thorn EMI	748	559	+4
Guinness	4,600	292	−1	Trafalgar House	905	299	+1
Hanson Trust	7,700	141½	+1½	T'house Forte	3,300	209	+2
Hawker Sidd	656	531	+4	Unilever	453	£23 15/16	+½
Hillsdown Hlgs	4,000	230	+7	United Biscuits	3,100	267	+11
ICI	3,300	£13 1/16	+½	Wellcome	4,600	280	+15
Imp. Cont. Gas	724	589	+1	Whitbread 'A'	1,400	285	+2
Jaguar	949	601	+5	Woolworth	893	735	+15

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	37	52	23
Corporations, Dominion and Foreign Bonds	11	17	43
Industrials	622	367	544
Financial and Properties	226	110	251
Oils	38	29	45
Plantations	5	3	6
Mines	42	67	74
Others	113	35	38
Totals	1,094	680	1,024

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Mon Feb 2 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Jan 30 Index No.	Thur Jan 29 Index No.	Wed Jan 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	777.31	+1.1	8.14	3.39	15.56	0.74	769.07	767.13	770.79	599.83
2	Building Materials (27)	955.36	+1.7	8.19	3.41	15.33	0.56	939.24	935.01	930.23	647.15
3	Contracting, Construction (28)	1335.32	+0.9	7.18	3.51	19.13	0.34	1323.71	1321.59	1325.96	941.39
4	Electricals (12)	1952.75	+0.6	7.72	4.02	16.64	0.00	1941.10	1910.02	1923.92	1705.10
5	Electronics (38)	1738.02	+0.9	8.27	2.37	16.04	5.15	1723.11	1723.04	1745.04	1459.70
6	Mechanical Engineering (61)	441.99	+1.2	9.06	3.76	14.06	0.17	436.94	436.87	437.45	333.88
8	Metals and Metal Forming (7)	400.87	+0.5	9.12	3.71	13.32	0.00	398.73	399.74	399.87	265.57
9	Motors (15)	311.84	+1.2	8.82	3.36	13.07	0.00	308.05	302.87	302.49	237.15
10	Other Industrial Materials (21)	1285.80	+0.8	7.06	4.29	16.92	0.09	1276.06	1277.03	1291.61	1081.85
21	CONSUMER GROUP (186)	1058.78	+2.0	6.95	2.99	18.48	0.95	1038.44	1029.92	1036.72	777.05
22	Brewers and Distillers (22)	999.18	+1.8	8.50	3.47	14.76	0.00	981.48	966.27	971.74	786.98
25	Food Manufacturing (25)	815.35	+1.9	8.20	3.46	16.03	1.18	799.77	796.31	794.45	576.14
26	Food Retailing (16)	1971.43	+0.8	6.82	2.76	20.36	9.50	1956.35	1946.15	1958.53	1707.52
27	*Health and Household Products (10)*	2002.88	+4.6	4.74	1.90	24.44	0.02	1914.62	1868.10	1898.00	1317.74
29	Leisure (31)	1109.47	+0.7	6.90	3.74	18.86	0.73	1102.09	1105.22	1111.96	765.39
31	Packaging & Paper (14)	567.55	+0.8	6.26	2.95	20.73	0.38	563.03	552.84	556.39	388.72
32	Publishing & Printing (14)	3322.79	+1.9	6.11	3.43	21.04	3.41	3261.59	3266.98	3277.32	1938.72
34	Stores (37)	877.24	+0.8	7.31	3.08	18.59	0.25	870.19	871.13	876.84	734.22
35	Textiles (17)	649.30	+2.2	8.11	3.12	14.19	0.00	635.49	634.93	638.08	429.79
40	OTHER GROUPS (87)	898.53	+1.5	8.50	3.68	14.63	0.52	884.97	878.97	878.46	722.42
41	Agencies (17)	1237.15	+0.9	4.64	1.77	29.37	0.30	1226.37	1216.93	1225.52	0.0
42	Chemicals (21)	1194.90	+3.3	7.43	3.53	16.39	2.85	1156.55	1149.09	1152.18	794.53
43	Conglomerates (13)	1135.45	+0.7	7.62	3.85	15.57	0.15	1125.86	1113.92	1143.25	0.0
45	Shipping and Transport (10)	1731.02	+0.9	6.09	4.32	20.73	0.00	1715.67	1713.39	1712.48	1389.93
47	Telephone Networks (2)	906.61	+0.9	10.31	4.25	13.22	0.00	898.15	892.35	880.31	872.73
48	Miscellaneous (24)	1233.57	+1.6	9.95	3.41	11.32	0.07	1214.70	1207.59	1196.13	874.83
49	INDUSTRIAL GROUP (482)	954.06	+1.6	7.67	3.28	16.52	0.79	938.86	932.87	936.79	725.06
51	Oil & Gas (18)	1609.24	−0.2	10.58	5.63	11.95	0.00	1611.71	1608.55	1619.88	1135.87
59	500 SHARE INDEX (500)	1009.32	+1.4	8.08	3.61	15.67	0.72	995.73	990.00	994.56	760.51
61	FINANCIAL GROUP(117)	654.34	+0.4	—	4.30	—	0.33	651.73	650.56	659.22	522.63
62	Banks (8)	715.07	—	17.76	5.14	7.73	0.69	714.91	716.83	730.37	517.33
65	Insurance (Life) (9)	931.07	+0.7	—	4.17	—	0.00	924.73	916.26	924.55	798.71
66	Insurance (Composite) (7)	500.15	+0.9	—	4.34	—	0.00	495.50	493.56	504.86	416.53
67	Insurance (Brokers) (9)	1198.69	+0.1	7.97	4.42	16.32	0.97	1197.64	1194.95	1224.91	1281.39
68	Merchant Banks (11)	382.84	−0.3	—	3.01	—	0.00	384.13	382.97	384.13	301.23
69	Property (47)	837.15	+0.9	5.71	3.51	22.78	0.05	829.98	827.88	831.95	669.27
70	*Other Financial (25)*	407.49	+0.3	7.36	3.74	17.22	0.62	406.32	406.31	405.91	295.78
71	Investment Trusts (96)	921.96	+0.5	—	2.50	—	0.60	917.77	919.26	918.86	660.38
81	Mining Finance (2)	371.31	+0.3	8.41	4.32	13.98	0.00	370.35	371.51	374.32	266.06
91	Overseas Traders (12)	828.55	−0.5	9.74	5.40	12.48	0.00	832.75	834.88	845.33	624.43
99	ALL-SHARE INDEX(727)	913.67	+1.1	—	3.69	—	0.61	903.29	899.10	904.34	692.74

	Index No.	Day's Change	Day's High	Day's Low	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Year ago
FT-SE 100 SHARE INDEX ‡	1832.8	+24.5	1835.0	1821.5	1808.3	1798.1	1812.1	1814.4	1781.8	1425.1

FIXED INTEREST

	PRICE INDICES	Mon Feb 2	Day's change %	Fri Jan 30	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.95	+0.01	120.94	—	0.85
2	5-15 years	134.86	+0.05	134.80	—	1.37
3	Over 15 years	141.79	+0.04	141.92	0.19	0.94
4	Irredeemables	154.57	+0.31	154.09	—	0.00
5	All stocks	132.48	+0.03	132.47	0.03	1.12
	Index-Linked					
6	5 years	117.27	+0.10	117.15	—	0.00
7	Over 5 years	114.10	−0.08	114.19	—	0.36
8	All stocks	114.59	−0.05	114.64	—	0.30
9	Debentures & Loans	117.19	−0.06	117.26	—	0.25
10	Preference	82.12	+0.23	81.93	—	0.22

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 2	Fri Jan 30	Year ago (approx.)
	British Government				
1	Low	5 years	9.32	9.31	9.97
2	Coupons	15 years	9.85	9.85	10.52
3		25 years	9.86	9.86	10.53
4	Medium	5 years	10.33	10.33	11.67
5	Coupons	15 years	10.13	10.14	10.99
6		25 years	9.95	9.96	10.64
7	High	5 years	10.38	10.37	11.81
8	Coupons	15 years	10.28	10.29	11.20
9		25 years	10.00	10.02	10.75
10	Irredeemables †		9.78	9.81	10.31
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.50	3.55	4.71
12	Inflat'n rate 5%	Over 5 yrs	3.74	3.74	3.88
13	Inflat'n rate 10%	5 yrs	1.92	1.96	3.70
14	Inflat'n rate 10%	Over 5 yrs	3.59	3.58	3.73
15	Debs &	5 years	11.03	11.02	12.11
16	Loans	15 years	10.99	10.98	11.87
17		25 years	10.94	10.94	11.65
18	Preference †		11.42	11.45	12.11

Opening index 1821.5; 10 am 1826.5; 11 am 1826.5; Noon 1832.6; 1 pm 1832.5; 2 pm 1834.8; 3 pm 1827.9; 3.30 pm 1828.9; 4 pm 1831.4.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

[illegible]

February 2. Total Contracts 43,953. Calls 34,774. Puts 9,179

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Feb. 2	Price Sch.	+ or —
Credi'nst'lt pp	2,045	...
Goesser	2,995	
Interunfall	12,900	
Jungbunzlauer	9,360	+270
Laenderbank	2,020	−10
Perlmooser	645	−5
Steyr Daimler	142	−1
Veitscher Mag	910	+10

BELGIUM/LUXEMBOURG

Feb. 2	Price Frs.	+ or —
B.B.L.	3,050	20
Banq.Gen. Lux	15,500	...
Banq.Int.A.Lux	15,150	
Bekaert	9,110	
Ciment CBR	4,350	
Cockerill	137	
Delhaize	2,790	+40
EBES	5,070	−30
Fabrique Nat	1,780	−10
GB Inno BM	940	+14
GBL (Brux)	3,790	−5
Generale Bank	6,210	−40
Gevaert	6,020	−40
Hoboken	7,700	−150
Intercom	3,985	+10
Kredietbank	4,120	−80
Pan Holding	10,700	+50
Petrofina	9,390	170
Royale Belge	28,400	+4
Soc.Gen. Belge	3,295	−35
Sofina	12,100	50
Solvay	8,800	
Stanwick Int.	250	
Tractebel	6,350	
UCB	9,830	−110
Wagons Lits	5,620	+60

DENMARK

Feb. 2	Price Knr %	+ or —
Baltica Skand	965	+5
Cop Handels'nk	286	
D. Sukkerfab	386	+2
Danske Bank	367	
East Asiatic	224	−1
Forenede Brygg	965	−5
GNT Hld	326	11
I.S.S.B	615	
Jyske Bank	555	
Novo Inde*	249	+1
Privatbanken	288	+4
Sophus Berend.	855	

GERMANY

Feb. 2	Price Dm.	+ or —
AEG	296	−4
Allianz Vers.	1,757	−68
BASF	247.5	−3
Bayer	272	−1
Bayer-Hypo	478	−0.5
Bayer-Verein	465	−5
BHF Bank	470	−5
BMW	500	−3
Brown Boveri	279.5	−0.5
Commerzbank	288	−5
Cont'l Gummi	304.8	−1.4
Daimler-Benz	997	+25.5
Degussa	445	−4.5
D'sche Babcock	251.8	+0.8
Deutsche Bank	722	−23.5
Dresdner Bank	360	−7
Feld Muehle Nbl	277	−1
Henkel	471	−1
Hochtief	980	
Hoechst	235.5	−4.3
Hoesch Werke	94	−5
Holzmann (Ph)	534	−7
Horten	228	−2
Hussel	512	−13
Karstadt	459.5	−4.5
Kaufhof	527	
KHD	152	−3
Kloeckner	57.3	
Linde	630	−7
Lufthansa	167	
MAN	149	−1.5
Mannesmann	152	−1.5
Mercedes Hld.	841	−24
Metallgesell.	265	−2
Muench Rueck.	2,000	−50
Nixdorf	728	−6.8
Porsche	890	+27
Preussag	183	−4
Rhein West Elect	223	−3
Rosenthal	290	−1
Schering	637.5	−8.5
Siemens	663	−18
Thyssen	113.5	−2.5
Varta	371	−2
Veba	268.2	−2.8
V.E.W.	155.5	+0.5
Verein-West	476	
Volkswagen	347	−7

ITALY

Feb. 2	Price Lira	+ or —
Banco Com'le.	25,190	−310
Bastogi-IRBS	684	−10
C.I.R.	6,540	+60
Credito Italiano	3,350	
Fiat	13,600	140

NORWAY

Feb. 2	Price Kroner	+ or —
Bergens Bank	187	+0.5
Bergesen B.	265	
Christiania Bank	202.5	+2.5
DenNorske Cred.	179.5	+0.5
Elkem	94.5	+1
Kosmos	134	
Kvaerner	180	−2.5
Norcem	122.5	+1.5
Norsk Data	218	
Norsk Hydro	142	+2
Orkla-Borregaard	375	
Storebrand	305	−0.5

SPAIN

Feb. 2	Price Pta %	+ or —
Bco Bilbao	1,550	+10
Bco Central	1,120	
Bco Exterior	581	+15
Bco Hispano	630	
Bco Popular	1,774	
Bco Santander	1,160	
Bco Vizcaya	1,924	1
Banesto	842	−13
Dragados	597.5	+28.5
Hidrola	90.2	−4.8
Iberduero	146	
Petroleos	583.5	+28.5
Telefonica	180.5	+5.5

SWEDEN

Feb. 2	Price Kronor	+ or —
AGA	156	+7
Alfa-Laval B	281	+6
ASEA (Free)	304	+8
Astra (Free)	515	+15
Atlas Copco	152	+7
Beijer A B	144	+8
Cardo (Free)	160	
Cellulosa	249	+9
Electrolux B	288	+9
Ericsson B	201	+6
Esselte	135	+3
Mo och Domsjo	236	+6
Pharmacia	209	+4
Saab Scania Free	650	
Sandvik	142	+4
Skandia	124	+6
Skan Enskilda	113	+5
SKF	325	+4
Stora Kopparbrg	275	+3
Sven. Handlsbk	397	+7
Swedish Match	420	+5
Volvo B (Free)	273	+5

CANADA

TORONTO

Closing prices February 2

MONTREAL

Closing prices February 2

Total Sales 6,089,395 shares

Indices

	Feb. 2	Jan. 30	Jan. 29	Jan. 28	1986/87 High	1986/87 Low
AUSTRALIA						
All Ord. (1/1/80)	1498.7	1496.4	1515.9	1527.6	1558.6 (15/1/87)	1010.8 (2/1/86)
Metals & Mnls. (1/1/80)	751.8	746.9	761.8	771.7	785.0 (20/1/87)	481.1 (29/1/86)
AUSTRIA						
Creditbk Aktien (30/12/84)	203.57	205.43	212.67	212.57	256.64 (23/4)	203.57 (2/2/87)
BELGIUM						
Brussels SE (1/1/84)	4044.91	4044.82	4048.79	4047.28	151.89 (9/12)	2785.81 (15/1/86)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	219.48	215.94	250.70 (16/4)	198.26 (11/11)
FINLAND						
Unitas Genl. (1975)	446.8	446.6	448.7	448.8	462.1 (15/1/87)	258.3 (2/1/86)
FRANCE						
CAC General (31/12/82)	421.5	419.0	418.4	425.7	426.7 (29/1/87)	267.9 (2/1/86)
Ind Tendance (31/12/86)	107.7	106.8	105.1	107.2	108.4 (27/1/87)	97.8 (2/1/87)
GERMANY						
FAZ Aktien (31/12/58)	590.95	588.75	586.14	575.71	753.88 (17/4)	575.71 (28/1/87)
Commerzbank (1/12/53)	1782.5	1808.20	1777.5	1741.1	2278.8 (17/4)	1741.1 (28/1/87)
HONG KONG						
Hang Seng Bank (31/7/64)	2585.22	(c)	(c)	2553.25	2614.87 12/1/87	1558.84 (19/3)
ITALY						
Banca Comm. Ital. (1972)	704.09	708.57	703.62	701.67	908.20 (20/5)	454.67 (24/1/86)
JAPAN**						
Nikkei (16/5/49)	20072.1	20048.3	19921.8	19789.9	20072.1 (2/2/87)	12881.0 (21/1/86)
Tokyo SE New (4/1/68)	1762.07	1758.6	1751.78	1725.24	1762.07 (2/2/87)	1025.85 (21/1/86)
NETHERLANDS						
ANP.CBS General (1970)	263.5	262.50	259.2	257.7	301.0 (5.9)	240.4 (3.3)
ANP.CBS Indust (1970)	251.8	249.20	245.4	243.7	303.9 (19/8)	234.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	379.60	370.88	371.89	368.50	402.91 (16/1/86)	331.61 (4.8)
SINGAPORE						
Straits Times (30/12/66)	987.77	(c)	(c)	949.92	987.77 (2/2/87)	565.34 (29/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	2029.0	2035.0	2040.0	2121.0 (15/1/87)	1104.1 (21/4)
JSE Indust (28/9/78)	—	1528.0	1517.0	1514.0	1528.0 (30/1/87)	1019.5 (2/4)
SPAIN						
Madrid SE (30/12/85)	245.91	245.10	248.45	247.35	248.45 (29/1/87)	100.88 (3/1/86)
SWEDEN						
Jacobson & P (31/12/86)	2207.14	2156.87	2128.45	2111.39	2072.79 (7/11)	1729.57 (29/1/86)
SWITZERLAND						
Swiss BankCpn (31/12/58)	581.6	580.0	574.8	570.0	625.5 (8/1/86)	497.2 (4/8)
WORLD						
MS. Capital Intl. (1/1/70)		398.1	399.9	401.6	401.6 (28/1/87)	249.8 (23/1/86)

** Saturday January 31 Japan Nikkei 20,023.5 TSE 1758.34

Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7 JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities 40 Financial and 20 Transports c Closed u Unavailable

NEW YORK — DOW JONES

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m Price	Change on Day
Bacal	890,000	217	+ 7
Gen Elect	780,000	201	+ 2
Hanson Trust	770,800	141½	+ 1½
Boots	760,800	278	+ 3
Glaxo	720,800	£13¾	+ 2⅞

TORONTO	Feb 2	Jan 30	Jan 29	Jan 28	1987 High	1987 Low
Metals & Minls	2,217.3*	-	2,208.8	2,222.5	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,378.7	3,348.9	3,358.7	3,354.3	3,354.3 (28/1/87)	2,754.8 (17/2)
MONTREAL Portfolio	1,723.72	1,702.67	1,704.4	1,708.9	1,708.9 (25/1/87)	1,386.6 (22/1)

* Indicates pre-close figure

N. AMERICAN QUARTERLY RESULTS

AMERICAN PRESIDENT
Shipping

Fourth quarter	1986 $	1985 $
Revenue	438.9m	342.5m
Net profits	10.1m	300,000
Net per share	0.40	0.01
Year		
Revenue	1.47bn	1.18bn
Net profits	18m	38.5m
Net per share	0.71	1.86

ARMCO
Steelmaker

Fourth quarter	1986 $	1985 $
Revenue	668.2m	683.5m
Net profits	34.6m	18.6m
Net per share	0.49	0.25
Year		
Revenue	2.64bn	2.94bn
Net profits	†*472m	44.8m
Net per share	†7.04	0.54

† Loss * Includes charges of $335.6m Ex-losses from discontinued operations of $118.7m

BELL ATLANTIC
Telecommunications

Fourth quarter	1986 $	1985 $
Revenue	2.6bn	2.33bn
Net profits	272m	270m
Net per share	1.37	1.34
Year		
Revenue	9.92bn	9.08bn
Net profits	1.17bn	1.09bn
Net per share	5.85	5.47

BELL CANADA ENTERPRISES
Telecommunications

Fourth quarter	1986 C$	1985 C$
Revenue	3.92bn	3.62bn
Net profits	257.5m	270.1m
Net per share	0.94	1.07

CONRAIL
Freight railway

Fourth quarter	1986 $	1985 $
Revenue	793m	783m
Op. net profits	64m	88m
Op. net per share	2.97	3.54

EUROPEAN AMERICAN BANCORP
Banking

Fourth quarter	1986 $	1985 $
Revenue	—	—
Net profits	5.8m	*14.6m
Net per share	—	—
Year		
Assets (year end)	6.74bn	6.65bn
Net profits	21.1m	20.6m
Net per share	—	—

* Includes $12m gain

MIDDLE SOUTH UTILITIES
Utility holding company

Fourth quarter	1986 $	1985 $
Revenue	796.9m	785.8m
Net profits	61.8m	†9m
Net per share	0.30	†0.04
Year		
Revenue	3.5bn	3.2bn
Net profits	451.3m	401m
Net per share	2.21	2.01

†Loss

McDONNELL DOUGLAS
Aerospace, defence

Fourth quarter	1986 $	1985 $
Revenue	3.55bn	3.13bn
Net profits	92.6m	94.8m
Net per share	2.29	2.36
Year		
Revenue	12.83bn	11.67bn
Net profits	277.5m	345.7m
Net per share	6.86	8.60

SCOTT PAPER
Paper, paper products

Fourth quarter	1986 $	1985 $
Revenue	988.4m	826.6m
Net profits	52.9m	49.6m
Net per share	1.40	1.36

ST. PAUL COMPANIES
Insurance

Fourth quarter	1986 $	1985 $
Revenue	842.9m	749.4m
Op. net profits	55.5m	40.4m
Op. net per share	1.17	1.01

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 41

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

BOC	435	+17
Bass	813	+18
Beecham	499	+13
Benchmark	82	+11
Body Shop	958	+63
Commerc Un	314	+15
Courtaulds	397	+17
Crown TV Prods.	85	+ 6
Dowty	250	+11
Dura Mill	93	+15
Foth & Har	318	+16
Glaxo	£13¾	+⅞
Grant Met.	494	+19
ICI	£13½	+½
Linread	120	+18
Lucas Inds.	541	+11
M Est	690	+55
North Foods	281	+10
Oct Publishing	630	+30
Racal Elec.	217	+ 7
R.H.M.	319	+11
Reed Intl.	387	+16
Rothmans Intl.	197	+10
Tarmac	658	+21
Tate & Lyle	490	+20
Tomkinsons	320	+10
Utd. Tr & Cr	510	+33
Vaux	578	+11
War Est	935	+45

FALLS

Hallite	200	−30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¾	17½	AAR s	.50	1.7	21	118	28⅝	27⅞	28⅝	+¾
30½	21⅞	ADT	.92	3.1		342	29¼	28¾	29¼	+⅛
37⅞	17⅞	AFG s	.12i	.3	11	613	37	35¼	36⅞	+1¼
34⅞	16¾	ACS			23	215	34½	33¼	34½	+1½
15	6¾	AMCA				6	7¼	7¼	7¼	+⅛
62⅛	46¾	AMR			12	9924	56⅝	55⅞	56⅛	−⅜
16½	10	ARX	.71t	6.2	11	148	11½	11¼	11⅜	−⅛
42⅞	28¾	ASA	2a	4.9		732	41⅛	40½	40¾	+½
16⅝	9¾	AVX			21	673	15¼	14⅛	15	+1
32	26	AZP	2.72	9.0	10	1471	30½	30	30¼	−¼
55¼	33	AbtLb s	.84	1.5	24	3792	55⅛	54¼	54¾	+⅜
32	25	AccoWd	.62	2.1	19	946	29½	28⅝	29½	+1
14⅛	9	AcmeC	.40	3.2	23	645	12⅜	11¼	12⅜	+1
9¼	6⅛	AcmeE	.32b	3.9	28	438	8¼	7¾	8¼	+½
23⅞	17½	AdaEx	3.42e	16.		113	21½	21	21½	+½
16⅝	9¾	AdmM s				60	14⅝	14	14⅝	+⅝
20⅝	12⅛	AdvSys	.62t	3.2	16	152	19⅝	19	18½	
32⅞	12⅞	AMD			6	14374	19½	17⅞	19¼	+1¾
11⅝	5¼	Adobe				977	6½	6⅜	6½	+⅛
18⅛	13¾	Adob pf	1.84	10.		45	18	18	18	+¼
21½	16⅜	Adob pf	2.40	11.		28	21¼	21	21	
18⅜	11½	Advest	.12a	.9	10	357	13⅛	12¾	12⅞	−⅜
65¼	53	AetnLf	2.64	4.4	9	3024	60¼	59½	59¾	−½
54⅝	51⅛	AetL pf	3.94e	7.5		545	52⅝	52½	52⅝	+¼
43⅝	18⅞	AfilPb s	.32	.7	42	166	43⅝	41⅛	43½	+2
26¾	18⅞	Ahmnss	.88	3.8	7	6602	23⅝	22⅝	23⅛	−⅛
5¼	2⅞	Aileen				105	4	3⅞	3⅞	
42⅞	29⅛	AirPrd s	.80	1.9354		1034	42¾	42	42½	+⅛
32½	16	AirbFrt	.60	1.8	24	1404	u34	32⅝	34	+1⅝
8⅞	8	Airgas n			23	8	d	7⅞	7⅞	−⅛
20⅝	17⅛	Airlse n	.49e	2.6		19	18½	18⅜	18½	
2	¼	AlMoan	.60c			33	⅜	⅜	⅜	
10¾	8¾	AlaP dpf	.87	8.3		8	10½	10½	10½	
109½	96	AlaP pf	11	10.		z150	108	107⅝	107⅝	−1⅜
97½	77½	AlaP pf	8.28	8.6		z1840	u98	96½	96½	−½
24	14¼	AlskAir	.16	.7	17	2219	23¾	23⅛	23⅛	−½
25	13½	Alberto s	.24	1.0	32	43	23½	23	23½	+⅛
23¼	13½	AlbCul	.24	1.2	27	21	19⅞	19⅝	19⅝	−¼
49½	31¼	Albtsns	.84	1.9	15	x752	44	43¾	43⅝	+1½
34⅝	27⅝	Alcan	.80	2.4	15	2585	33½	32⅞	33⅜	+1⅛
48½	36	AlcoStd	.28	2.7	18	459	48	47	48	+¾
42⅝	24¼	AlexAlx	1	3.7	130	1005	27½	27	27¼	+⅛
49	34½	Alexdr			117	22	40¼	39¾	39¾	−¼
70½	65½	AlgCp wi				578	u71½	68¾	71¼	+2⅝
25¼	11⅜	AlgInt		2.5		276	13⅞	13⅝	13⅞	+¼
19¾	9½	Algin pr				9	13	13	13	−⅛
93½	39	Algl pfC				3	53⅛	53	53⅛	+⅜
53⅞	34⅞	AligPw	2.92	6.1	12	2584	48¼	47⅞	47⅞	−⅛
27¼	14½	AllenG	.56	3.5	15	389	16⅜	16	16	+⅛
28⅞	20⅞	Allen pf	1.75	7.6		18	23	22¾	23	−¼
45½	26¾	AlldPd			11	693	34	33½	34	+⅛
49½	36¾	AldSgnl	.80b	3.8		3137	47⅝	46⅝	47¼	
10⅛	5⅝	AlldSup			14	47	7⅝	7½	7½	
6¾	2⅛	AllisCh				253	2¾	2⅝	2¾	
40¾	25¼	AllsC pf				16	27⅞	27⅞	27⅞	
47¼	30⅝	ALLTL	2.04	4.7	18	651	43½	43⅛	43½	+¼
46⅝	32⅝	Alcoa	1.20	3.0		x3398	40¼	39⅛	40	+⅝
16⅜	10½	Amax				1649	14⅞	14¾	14¾	−⅛
27¾	16½	AmHes				5090	u28⅛	27⅞	28	+½
120½	82¼	AHes pf	3.50	2.9		7	u121½	118	121½	+2½
[illegible]										

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
10¼	6¾	Vendo				22	8⅝	8⅛	8⅛	−¼
14¾	12	VestSe1.20a		8.3		87	14⅜	14⅛	14⅜	+⅛
15¼	4½	Vestrn			11	189	5¾	5½	5½	−⅛
44⅞	25¼	Viacm s .28		.6		2114	44⅛	41½	43⅞	+2½
101⅝	78⅝	VaEP pf7.72		7.7		z280	100	100	100	−½
107½	95½	VaEl pf8.60		8.2		z10	105⅛	105⅛	105⅛	+⅛
101⅝	78	VaE pfJ7.72		7.7		310	100¼	100	100¼	+¼
97⅛	74⅝	VaEP pf7.20		7.4		458	96¾	95	96¾	+¾
99½	76¼	VaEP pf7.45		7.5		726	98⅞	98	98⅞	−⅛
24⅞	17	Vishay 1.01t		4.7	15	x56	21⅝	20½	21½	+1¼
25½	17	VistaC n			11	584	24¼	23⅞	24¼	+½
80¾	67½	Vornad			19	2	76⅝	76⅝	76⅝	
144	89¼	VulcM 3.40		2.5	18	75	135	134	135	−2

Continued on Page 39

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but *not* the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Change
[illegible]							

Continued on Page 39

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Record run derives fresh inspiration

AFTER a tentative start to the session, Wall Street stock prices rose strongly yesterday, *writes Roderick Oram in New York.*

Advances came despite weakness in the bond market, caused in part by a slipping of the dollar in nervous trading following Mr Paul Volcker's testimony to Congress. The chairman of the Federal Reserve Board said the currency was in "some jeopardy" of suffering a free fall.

In contrast, some companies which will benefit from a weaker dollar enjoyed higher share prices. Some issues recently the objects of profit-taking were also ahead.

The Dow Jones industrial average closed up 21.66 points at 2,179.70. Among the blue chips American Express rose $⅝ to $68⅝, General Electric added $1½ to $101¾, Eastman Kodak gained $1⅛ to $78¾, International Business Machines advanced $3¾ to $132⅞, Merck rose $1½ to $139 and Procter and Gamble slipped $1⅜ to $86⅞.

Broader market indices were similarly up strongly. The New York and American Stock Exchange composite indices closed up 1.34 to 157.45 and 3.68 to 304.15, respectively. NYSE volume was moderately heavy at 177.6m with advances outnumbering declines by 1,150 to 467.

The takeover arena saw a sudden burst of activity after a quiet start to the year. Diamond Shamrock dipped $⅛ to $14⅝ after unveiling comprehensive actions designed to thwart a takeover attempt by Mr T. Boone Pickens, the Texas oilman.

The company will spin off its marketing and refining operations in a public company and buy back 20m shares, 14 per cent of the total, for $17 a share among other actions. In addition, its chief executive resigned yesterday.

Viacom advanced $2½ to $43⅞. The television programme and film distributor and cable television company received a $44.25-a-share offer from a subsidiary of National Amusements, a privately held cinema chain which already has a stake of more than 18 per cent. The bid values Viacom at $1.55bn.

Cyclops, a leading specialty steel maker jumped $5⅝ to $77. It received a $75-a-share bid from Audio-Video Affiliates, a consumer electronic retailer, which gained $½ to $6¾. Cyplops said a second organisation had also expressed interest in buying it.

Holly Sugar gained $2¼ to $108. The largest beet sugar producer in the US put itself up for sale.

Heritage Communications added $3¾ to $32½ on heavy volume. A management-led investor group has offered to buy the cable television company for $835m, or about $37.50 a share.

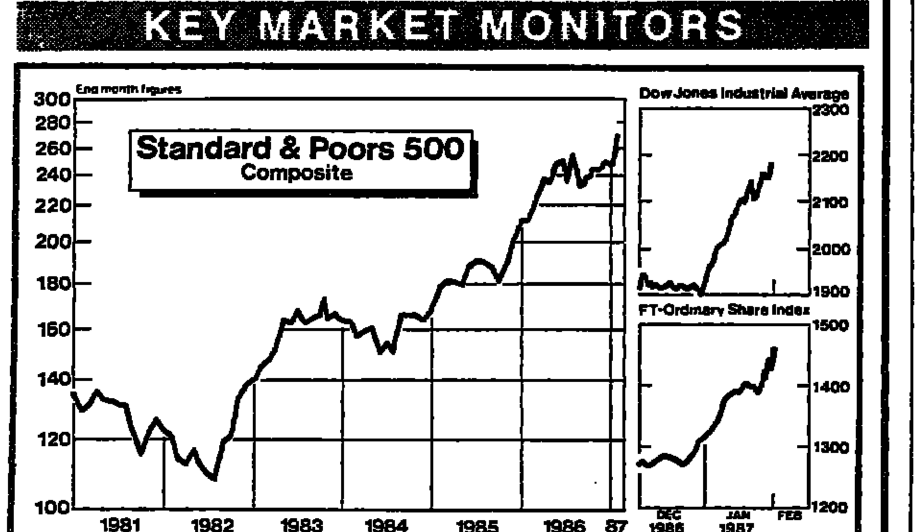
BankAmerica rose $⅛ to $14⅛. It sold its Schwab discount brokerage unit to a group led by Charles Schwab which should result in a $130m pre-tax gain. The bank holding company, the object of a tentative bid from First Interstate, also announced a faster rate of loan charge-offs and staff cuts than previously forecast.

Among companies reporting earnings yesterday, MCI was unchanged at $6¼ on heavy volume in the over-the-counter market. It reported as forecast a fourth-quarter operating loss of $502m because of restructuring charges.

Companies reporting higher earnings for the quarter or year with mixed effects on their stock prices included CPC, down $⅞ to $47⅛, Sherwin-Williams, down $⅝ to $33, Compaq Computer, up $2⅜ to $26¼ and Owens-Illinois, off $½ to $60.

In the credit markets, prices fell moderately in the face of a number of negative influences. The price of the 7.50 per cent Treasury benchmark long bond was off 11/32 of a point by late afternoon at 99.28 at which it yielded 7.50 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 2	Previous	Year ago
DJ Industrials	2,179.70	2,160.01	1,537.73
DJ Transport	881.96	877.54	232.57
DJ Utilities	225.99	224.61	176.91
S&P Composite	276.45	274.24	211.78
LONDON			
FT Ord	1,463.9	1,427.0	1,155.3
FT-SE 100	1,832.8	1,798.1	1,435.0
FT-A All-share	913.67	899.1	692.74
FT-A 500	1,009.32	990.0	760.51
FT Gold mines	313.5	321.8	344.9
FT-A Long gilt	10.0	10.0	10.67
TOKYO			
Nikkei	20,072.09	19,921.05	13,024.3
Tokyo SE	1,762.07	1,731.73	1,041.62
AUSTRALIA			
All Ord.	1,486.7	1,513.9	1,075.1
Metals & Mins.	731.8	761.8	539.4
AUSTRIA			
Credit Aktien	203.37	212.37	246.10
BELGIUM			
Belgian SE	4,044.91	4,046.79	2,840.83
CANADA			
Toronto			
Metals & Minls	2,231.3	2,208.0	2,269.0
Composite	3,378.7	3,350.7	2,842.96
Montreal			
Portfolio	1,723.72	1,704.4	1,139.28
DENMARK			
SE	—	(u)	2,841.70
FRANCE			
CAC Gen	421.50	413.4	(c)
Ind. Tendance	107.70	105.1	167.9
WEST GERMANY			
FAZ-Aktien	590.95	(u)	650.30
Commerzbank	1,782.50	1,777.5	1,950.4
HONG KONG			
Hang Seng	2,585.22	(c)	1,695.78
ITALY			
Banca Comm.	704.09	703.62	477.36
NETHERLANDS			
ANP-CBS Gen	263.50	259.2	98.0
ANP-CBS Ind	251.80	245.4	240.7
NORWAY			
Oslo SE	370.60	371.89	374.72
SINGAPORE			
Straits Times	967.77	(c)	607.32
SOUTH AFRICA			
JSE Golds	—	2,029.00	1,286.10
JSE Industrials	—	1,528.00	1,089.10
SPAIN			
Madrid SE	245.91	—	109.83
SWEDEN			
J & P	2,207.14	2,126.43	1,757.86
SWITZERLAND			
Swiss Bank Ind	581.60	574.6	566.5
WORLD	Jan 30	Previous	Year ago
MS Capital Int'l	398.1	401.6	259.7

COMMODITIES

(London)	Feb 2	Prev
Silver (spot fixing)	364.35p	364.00p
Copper (cash)	£880.00	£872.00
Coffee (March)	£1,617.50	£1,598.50
Oil (Brent Blend)	$18.20	$18.35

GOLD (per ounce)

	Feb 2	Prev
London	$407.00	$404.375
Zürich	$406.55	$400.25
Paris (fixing)	$408.00	$407.24
Luxembourg	$405.00	$411.25
New York (April)	$404.80	$408.9

CURRENCIES

	US DOLLAR		STERLING	
(London)	Feb 2	Previous	Feb 2	Previous
$	–	–	1.5240	1.5135
DM	1.8075	1.8320	2.756	2.7725
Yen	152.55	153.55	232.50	232.50
FFr	6.0275	6.1075	9.185	9.245
SFr	1.5250	1.5440	2.325	2.3375
Guilder	2.0395	2.0675	3.1075	3.13
Lira	1,287	1,302	1,960.50	1,970.50
BFr	37.45	37.80	57.05	57.20
C$	1.3330	1.3395	2.0325	2.0295

INTEREST RATES

Euro-currencies (3-month offered rate)	Feb 2	Prev
£	11 1/16	11⅛
SFr	3 9/16	3 11/16
DM	4 3/16	4¼
FFr	9	9
FT London Interbank fixing (offered rate)		
3-month US$	6 5/16	6¼
6-month US$	6 5/16	6 5/16
US Fed Funds	6¼	5⅞
US 3-month CDs	5.80	6.075
US 3-month T-bills	5.595	5.76

US BONDS

Treasury		February 2*		Prev	
		Price	Yield	Price	Yield
6⅝	1989	99 14/32	6.362	99 25/32	6.243
7⅛	1993	99 27/32	7.200	100 11/32	6.923
7⅜	1996	100 7/32	7.214	100 25/32	7.120
7¼	2016	99 23/32	7.516	100 22/32	7.44

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Feb 2 Day's change	Yield	Day's change
1–30	161.61	−0.21	6.98	+0.04
1–10	153.69	−0.07	6.69	+0.04
1– 3	143.34	+0.03	6.37	+0.03
3– 5	156.63	−0.09	6.75	+0.04
15–30	189.93	−0.69	7.92	+0.04

Source: Merrill Lynch

Corporate	February 2*		Prev	
	Price	Yield	Price	Yield
AT & T				
3⅞ July 1990	92.256	6.45	92.377	6.40
SCBT South Central				
10⅞ Jan 1993	105.75	9.608	105.875	9.58
Phibro-Sal				
8 April 1996	100	8.0	100	8.0
TRW				
8¾ March 1996	104	8.117	104.50	8.04
Arco				
9⅞ March 2016	113	8.645	112.75	8.66
General Motors				
8⅛ April 2016	94.375	8.655	94.75	8.618
Citicorp				
9⅜ March 2016	103.83	9.0	103.25	9.055

Source Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
March	99–10	99–13	98–29	99–22
US Treasury Bills (IMM)				
$1m points of 100%				
March	94.50	94.51	94.46	94.50
Certificates of Deposit (IMM)				
$1m points of 100%				
March	–	–	–	94.10
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	93.70	93.75	93.68	93.79
20-year Notional Gilt				
£50,000 32nds of 100%				
March	114-26	115-01	114-19	114-25

* Latest available figures

EUROPE

Frankfurt engulfed by dollar fears

THE DOLLAR continued to dominate trading on European bourses yesterday with key centres proving sensitive to its latest movements and uncertain trend.

Frankfurt was again engulfed by concern that the US currency would fall further, and trading was thin as many investors stayed nervously on the sidelines.

Some blue chips registered sharp falls under foreign selling, and the Commerzbank index dropped 25.7 to 1,782.5.

Worst hit shares included Deutsche Mark, which lost DM 23.50 to DM 722, a session and 12-month low, Daimler-Benz, down a sharp DM 25.50 to DM 997, and Siemens, which shed DM 15 to DM 663 in advance of first-quarter results.

Other banks saw Commerzbank off DM 5 to DM 288 and Dresdner down to DM 360, a loss of DM 7.

The car sector was generally lower, with VW off DM 7 to DM 347 and BMW easing DM 3 to DM 500, while Conti Gummi, the tyremaker, lost DM 1.40 to DM 304.80.

Bonds moved higher, and long-dated issues gained up to 50 basis points on foreign demand but trading was thin. The Bundesbank sold DM 1.8m worth of paper after selling DM 18.4m on Friday.

Amsterdam saw selected stocks move higher in early trading, but share prices generally eased later as the dollar fell slightly and Wall Street opened down.

The ANP-CBS General index was marginally higher at mid-session, up 1.2 at 263.5, when the dollar was briefly firmer against the guilder.

Internationals attracted little buying interest and finished mostly lower. KLM lost 30 cents to Fl 37.60 and Royal Dutch Fl 1 to Fl 213.60, while Unilever was Fl 2 down at Fl 502.50.

Against the trend, paper producer KNP advanced Fl 7.80 to Fl 142.80 after its chairman was quoted as saying sales will double in the medium term.

Zurich was also fairly quiet in anticipation of signs of stability in the dollar, but selective buying took shares mixed to higher.

Among international food-related stocks, Jacobs Suchard added SFr 100 to SFr 8,100, and Nestlé was steady at SFr 9,100.

Engineerings weakened, with Schindler participation certificates down SFr 45 to SFr 680, Landis & Gyr SFr 100 lower at SFr 1,660, and Brown Boveri off SFr 50 at SFr 1,680.

Paris managed to sustain the firmer trend of last Friday when the pick-up in the dollar lifted the mood. The CAC general index added 3.5 to 421.5 in fairly active trading.

Buying was boosted by institutions returning to the market on the assumption that they will receive fewer Paribas shares than expected because of the heavy demand. However, the day's gains were trimmed by Finance Minister Edouard Balladur's weekend forecast of higher January inflation.

Brussels ended mixed to lower on the last day of the trading fortnight.

Among lower oils Petrofina was down BFr 170 at BFr 9,390.

Most other price changes were small. GB Inno BM, the supermarket chain, added BFr 14 to BFr 940 after news that it planned changes in its US operations.

Milan moved lower in dull trading. Montedison edged up L5 to L2,910 following its 8.1 per cent increase in gross operating profit last year.

Stockholm rose on buying by overseas institutions, taking the J & P index up 50.27 to 2,207.14.

Oslo edged higher on bank gains while **Madrid** was mixed.

Lisbon Stock Exchange has seen shares worth Esc 1.4bn ($9.9m) traded so far this year, double the total value of share trading for the whole of 1985. Turnover for last year was Esc 6.3bn.

The exchange burst into action last year due to official incentives, and the latest figures are attributed to buying interest from investors in Portugal, Britain, the US, Belgium and West Germany. New investment institutions in Portugal are leading the buying spree.

TOKYO

Road to high signposted with caution

BUYING ENTHUSIASM remained strong in Tokyo yesterday and drove share prices to yet another record, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues, which topped 20,000 last Friday for the first time, added 48.54 from Saturday's lower close to a record 20,072.09. Volume totalled 1.09bn shares compared with Friday's 1.22bn. Losses outran advances by 472 to 378, with 134 issues unchanged.

The steady tone of the market reflected investor confidence that brokerage houses will make every effort to keep the market buoyant until the stock of Nippon Telegraph and Telephone (NTT) is listed on the exchanges next Monday.

Nevertheless, investor concern about precariously high prices became evident when the Nikkei indicator began to edge down on profit-taking after gaining 132 points early on.

On the trading floor, Tokyo Electric Power, electric cables and other NTT-related issues were sought before the NTT listing.

Tokyo Electric Power advanced Y140 at one stage to a record Y8,580, surpassing the previous high of Y8,550 reached last December. But it came under profit-taking pressure later to close Y30 lower at Y8,410. Tokyo Gas fell Y10 to Y1,190 while Kansai Electric Power rose Y110 to Y4,400 and Isaka Gas Y28 to Y713.

Among other NTT-related issues, Fujikura gained Y24 to Y806 and Iwatsu Electric Y30 to Y985.

Large-capital stocks attracted strong buying interest in afternoon trading. Nippon Steel once again topped the active list with 341.33m shares changing hands. It added Y13 to Y257.

Kawasaki Steel, the second-busiest issue with 36.97m shares traded, ended Y12 higher at Y220. Ishikawajima-Harima Heavy Industries surged Y35 to Y485 and Mizsui Engineering and Shipbuilding Y15 to Y187.

Nikkatsu soared Y46 to Y250, bolstered by speculative buying, with 20.79m shares changing hands.

Blue chips firmed, helped by the yen's weakness against the dollar. NEC added Y50 to Y2,040, Toyota Motor Y50 to Y1,930, Matsushita Electric Industrial Y10 to Y1,910 and Hitachi Y20 to Y1,070.

Conversely, financial issues, which had been a major force in driving the Nikkei average to above 20,000 last week, were on a weak note.

City banks in particular fared poorly, with Dai-icho Kangyo Bank and Fuji Bank shedding Y30 each to Y2,700 and Y2,720, respectively. Sumitomo Bank lost Y10 to Y3,320 and Tokio Marine and Fire Insurance Y20 to Y2,170. But securities stocks firmed, with Nikko Securities gaining Y50 to Y2,030.

Also weaker were issues related to the Government's fiscal investment and loan programme, including Taisei Corp and Ohbayashi Corp, which closed Y7 and Y20 lower at Y973 and Y1,020.

Bond prices rose sharply in early trading, supported by dealers' active buying.

The yield on the bench mark 5.1 per cent government bond, due in June 1996, dropped to 4.820 per cent at one stage. Later, however, concern about higher prices mounted, sending the yield up to 4.845 per cent at the close

LONDON

DETERMINED BUYING of blue chips by UK institutions sent the London stock market soaring to new peaks yesterday.

Pharmaceuticals again dominated the scene, with Glaxo finding renewed US support.

The market rally began in earnest from the start of trading and found fresh incentive from the firm opening on Wall Street. Most sectors finished the day at their best levels. The FT-SE 100 index jumped 24.5 to a record 1,832.80 while the narrower sister index, the *FT* Ordinary, sprinted 22.9 to 1,463.9, also a new high.

Engineering and electricals were bought on growing optimism for the outlook for UK exports while a shortage of stock fuelled price rises.

Glaxo jumped £⅞ to £13¾ on turnover of 7.2m shares while ICI, benefiting from favourable weekend press comment, added £½ to £13 1/16 on 3.3m shares. Beecham managed a healthy 13p rise to 499p with 3.9m shares changing hands.

British Gas was the most active once again: over 27m shares were traded, but the price finished steady at 68½p.

Gilts were weaker in thin trading as traders pondered the market's vulnerability to election forecasts and currency market developments.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

CANADA

GOLDS and base metal miners triggered a rally in Toronto that soon spread to other sectors.

Echo Bay Mines traded C$¼ higher to C$36⅞ while Campbell Red Lake at C$30⅞ was C$¼ stronger. International Corona Resources, however, moved against the trend with a C$1¼ drop to C$35.

Among base metal stocks, Noranda and Denison Mines Class B added C$¼ each to C$24¼ and C$7, respectively.

Industrials proved one of the weak spots in a broadly firmer Montreal.

HONG KONG

SPORADIC PROFIT-TAKING failed to stem a wave of buying in Hong Kong that took the Hang Seng index 31.97 points higher at 2,585.22. Turnover jumped to HK$849m compared with Friday's HK$597m.

Trading resumed in Cathay Pacific and its parent Swire Pacific after the Chinese state-owned China International Trust and Investment bought a 12.5 per cent stake in the airline for HK$1.94bn. Cathay added 35 cents to HK$5.95 while Swire jumped 70 cents to HK$19.90.

Moving against the trend were Hang Seng Bank, down 50 cents at HK$42, Hongkong Electric 20 cents lower at HK$12.40 and Hongkong Gas 10 cents off at HK$22.10.

Properties were strong with Cheung Kong HK$1 up at HK$40 and Hongkong Land 5 cents higher at HK$7.45.

The Hong Kong index rose 17.27 to 1,654.89.

SINGAPORE

FOREIGN INSTITUTIONAL buying combined with strong local support to push Singapore higher. The Straits Times industrial index closed 18.75 up at 967.77 on improved volume of 26m shares.

Blue chips were in demand again, with Sime Darby the most active with 2.2m shares traded. Sime firmed 15 cents to S$2.61.

DBS, also active with 1.03m shares traded, added 25 cents to S$10.20 while United Motor Works gained 6 cents to 60 cents on volume of 1.02m shares.

New Straits Times managed a 30-cent rise to S$5.80, and Fraser & Neave at S$9.85 was 15 cents stronger.

AUSTRALIA

THE WEAKER TREND continued in Sydney on the weaker bullion price, recent domestic interest rate rises and a softer New Zealand market.

Some attempts at recovery were made late in the session although the All Ordinaries index dropped a further 10.1 to 1,486.2.

Among most active issues, WMC dipped 14 cents to A$5.80, CRA shed 20 cents to A$6.90 and Aberfoyle, traded ex dividend, fell A$1.90 to A$10.00.

The resource sector saw BHP 4 cents up at A$9.16 after an early fall to A$9.08 while Bell Resources dipped 2 cents to A$4.58.

SOUTH AFRICA

THE PARTIAL RECOVERY in the bullion price boosted sentiment in Johannesburg and buoyed most sectors.

Among firmer golds, Vaal Reefs added R7 to R417 while Beatrix firmed 50 cents to R17.50 Mining financials mirrored golds, with Anglo American 75 cents ahead at R70.50.